



A REPORT
TO THE
MONTANA
LEGISLATURE

FINANCIAL AUDIT

State of Montana

*For the Fiscal Year Ended
June 30, 2022*

MAY 2023

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DIVISION

22-01

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FINANCIAL AUDITS

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting and many staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act Amendments of 1996 and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards require the auditor to issue certain financial, internal control, and compliance reports in addition to those reports required by *Government Auditing Standards*. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2021, was issued June 21, 2022. The Single Audit Report for the two fiscal years ended June 30, 2023, will be issued by March 31, 2024.

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May 2023

The Legislative Audit Committee
of the Montana State Legislature:

This financial audit report contains our Independent Auditor's Report on the basic financial statements (BFS) and the Schedule of Expenditures of Federal Awards (SEFA) of the state of Montana for the fiscal year ended June 30, 2022. The BFS were prepared by the State Financial Services Division (SFSD) of the Department of Administration. The SEFA was prepared by the Governor's Office of Budget and Program Planning.

We issued an unmodified opinion on the SEFA in relation to the amounts presented in the BFS. We also issued unmodified opinions on the 11 opinion units included in the BFS, as described in the Independent Auditor's Report on page A-5. This means a reader may rely on the information presented in the BFS.

The report also contains our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements. This report is required by *Government Auditing Standards*. It addresses 10 issues classified as material noncompliance, material weaknesses, or significant deficiencies. This audit report contains five recommendations related to these issues. These recommendations are to the Governor's Office of Budget and Public Planning, the Department of Public Health and Human Services, the Department of Natural Resources and Conservation, the Department of Corrections, and the Department of Labor and Industry. These findings are in this report because the related agency audit reports are not yet complete. The remaining five issues were initially addressed in a separate agency audit report.

The prior audit report contained one recommendation related to State Financial Service's Division's controls over preparing the BFS. We determined the prior audit recommendation was implemented.

Department of Administration, the Governor's Office officials, and agencies with recommendations in this report reviewed the contents of this report. The Department of Administration's response is on page B-1, and the Governor's Office response is on page B-2. Other agency responses start on page B-3.

We thank the Department of Administration's director, the State Financial Services Division staff, and the Governor's Office staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

/s/ Angus Maciver

Angus Maciver
Legislative Auditor

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Greg Gianforte, Governor

Department of Administration

Misty Ann Giles, Director

State Financial Services Division

Cheryl Grey, CPA, Administrator

State Accounting Bureau

Jennifer Thompson, State Accountant (as of March 2022)

Cody Pearce, CPA, State Accountant (through January 2022)

State Accounting & Financial Reporting Section

Frank Cornwell, CPA, Manager (through October 2022)

Brian Feller, CPA, Accountant

Wenruzi Koch, CPA, Accountant

Karen Pocha-Melby, CPA, Accountant

Susan Rogge, CPA, Accountant

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Governor's Office of Budget and Program Planning

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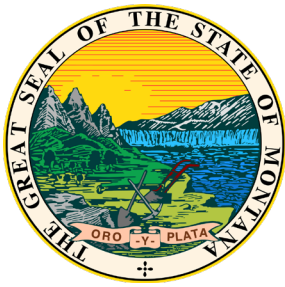
Sonia Powell, CPA, Single Audit Coordinator

For additional information concerning the Basic Financial Statements,
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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL AUDIT

State of Montana

FOR THE FISCAL YEARS ENDED JUNE 30, 2022

A report to the Montana Legislature

BACKGROUND

State law requires the Department of Administration (department) to prepare the Basic Financial Statements (BFS) for the State of Montana. The BFS provide legislators, citizens, and other interested parties with a summary of the state's overall financial position as of June 30, 2022, as well as financial information on all operations and activities of state government for the fiscal year then ended.

The Governor's Office of Budget and Program Planning prepares the Schedule of Expenditures of Federal Awards (SEFA), as federal regulations require. The SEFA reports total federal grant expenditures for the fiscal year ended June 30, 2022, of approximately \$5 billion, including noncash assistance and loan amounts for certain programs.

The state's General Fund reports an ending fund balance of approximately \$2 billion as of June 30, 2022, an increase of roughly \$1.15 billion from June 30, 2021. The 134 percent increase is attributed, in part, to strong tax collections during the fiscal year. Pandemic-related workload and staff turnover have made developing and maintaining internal controls difficult at various agencies. We identified several control deficiencies in activity that roll into the state's Annual Comprehensive Financial Report. This report contains five internal control recommendations and references five other recommendations made in other audit reports, all but one related to internal controls.

AUDITOR'S OPINION (page A-1): UNMODIFIED

We found the state's Basic Financial Statements (BFS) present fairly the activity of the state of Montana and its component units, in all material respects in relation to requirements in Generally Accepted Accounting Principles (GAAP). This means the reader can rely on the information presented in the BFS contained in this report.

We also determined the Schedule of Expenditures of Federal Awards (SEFA) is reasonable in relation to amounts reported in the state's BFS.

For the full context of the state's financial activity, see the financial statements and notes beginning on page A-9. See also the SEFA beginning on page A-193.

RECOMMENDATIONS:

In this report, we issued the following recommendations:

To the Department of Administration: 0

To the legislature: 0

To other departments: 5

Department responses for the findings in this report all **concur**.

In this report, we determined the implementation status of the prior audit recommendation: Implemented.

REPORT ON INTERNAL CONTROL AND COMPLIANCE (page A-1):

In this report, we identified the following:

Material Weaknesses in Internal Control: 1

Significant Deficiencies in Internal Control: 8

Material Non-Compliance: 1

Other Matters: 0

(continued on back)

For the full report or more information, contact the Legislative Audit Division.

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The **material noncompliance** included in the Report on Internal Control and Compliance is associated with the Highway Patrol Officers', Public Employees', Game Wardens' and Peace Officers', and the Sheriffs' Retirement Systems' actuarial soundness and is included in the Public Employees' Retirement Board (#22-08) audit report.

The **material weaknesses** in internal controls are associated with the following:

- ◆ Department of Administration's (DOA) internal controls were insufficient to comply with state law. They inaccurately recorded pension entries on behalf of all state agencies, resulting in millions of dollars in errors on the accounting records at fiscal year-end. Our financial-compliance report (#22-13) made a recommendation related to this internal control deficiency.

The **significant deficiencies** in internal controls are associated with the following:

- ◆ Department of Revenue's (DOR) internal controls related to timely recording of received wires in the state's accounting system should be strengthened. The financial-compliance report of DOR (#22-14) made a recommendation to improve internal controls.
- ◆ DOA should obtain and review service organization control reports. Our financial-compliance report (#22-13) made a recommendation related to this internal control deficiency.
- ◆ Montana State University's internal controls did not detect significant errors in draft statements and notes, as reported in our financial-compliance report (#22-11).
- ◆ Department of Corrections internal controls related to room and board expenditures should be improved, as described on page 7.
- ◆ We identified three internal control deficiencies at the Department of Labor and Industry, as described on page 6.
- ◆ The Department of Natural Resources and Conservation's internal controls over leases receivable and deferred inflows were insufficient to prevent, detect, and correct misstatements in the state's accounting records. See further details on page 5.
- ◆ The Department of Public Health and Human Services did not adjust the SEFA for an error in the prior year. If not corrected, expenditures on the SEFA would have been understated by \$27.5 million as described on page 10.
- ◆ Internal controls at the Governor's Office were not in place to ensure grants received at one state entity and subgranted to other agencies were appropriately included on the face of the SEFA. If not corrected, expenditures on the SEFA would have been understated by \$37 million as described on page 9.

For the full context of this information, including the distinction between the types of items reported, see the report beginning on page A-1.

Chapter I – Introduction and Background

Introduction

We conducted a financial audit of the state of Montana's Basic Financial Statements (BFS) for the fiscal year ended June 30, 2022. The objectives of the audit were to:

1. Determine whether the BFS are presented fairly in accordance with Generally Accepted Accounting Principles (GAAP) and determine the reasonableness of the state's Schedule of Expenditures of Federal Awards (SEFA) in relation to the state's BFS.
2. Obtain an understanding of the internal control structures to the extent necessary to support the audit of the financial statements and, where necessary, make recommendations for improvement in the state's management and internal controls.

The Department of Administration (department) prepares the BFS for the state of Montana. To prepare the BFS, the department uses financial data from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) used by all agencies. Department personnel adjust the SABHRS data to present the financial activity in accordance with GAAP. Adjustments include, but are not limited to, corrections of errors and eliminating internal balances that roll together for presentation purposes. Additionally, the department obtains and incorporates information into the BFS from separately issued and audited financial statements of its component units and stand-alone programs like the programs at the Board of Investments.

To address the objectives above, we focused our audit efforts on analyzing financial data, testing the adjustments and corrections made to SABHRS, and reviewing the financial statements and note disclosures to determine whether they were supported and presented in accordance with GAAP. We evaluated the results of completed agency audits and compared information in the BFS to separately issued and audited financial statements of the state's component units and stand-alone programs. We also completed work over financial balances and activity at agencies where completed agency audit reports are not yet available. Additionally, we performed procedures to determine the reasonableness of the SEFA, as prepared by the Governor's Office of Budget and Program Planning (OBPP), in relation to the amounts presented in the BFS and requirements in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Because of the unique nature of governmental financial reporting, we use an opinion unit concept in performing our audit. This concept separates the activity contained in the BFS into 11 separate portions which are individually audited and evaluated by our audit team. The opinion units are related to the type of financial statements included in the BFS and the state's determination of major funds in accordance with GAAP requirements. Table 1 (see page 2) summarizes the types of financial statements in the BFS and the related opinion units and provides a reference to their location in this report.

Table 1
**Summary of Financial Statements and Related Opinion Units Contained in the
 State's Basic Financial Statements**

Related Opinion Units	Description	Statements Starting on Page
Governmental Activities	In general, activities are those supported by fees, taxes, and intergovernmental revenues. For example, the General Fund, State Special Revenue Fund, and Federal Special Revenue Fund activities are all a portion of the Governmental Activities opinion unit.	A-20
Business Type Activities	Activities supported by fees and charges for services. For example, the Unemployment Insurance enterprise fund activities are a portion of the Business-Type Activities opinion unit.	A-20
Discretely Presented Component Units	Montana State Fund, Montana State University, University of Montana, Facility Finance Authority, the Board of Housing, and the Montana Reinsurance Association.	A-20
General Fund	Presented as individual columns in the Governmental Fund Financial Statements.	A-24
State Special Revenue Fund		
Federal Special Revenue Fund		
Land Grant Permanent Fund		
Coal Tax Permanent Fund		
Unemployment Insurance Enterprise Fund	Presented as individual columns in the Proprietary Fund Financial Statements.	A-31
Municipal Finance Program Enterprise Fund		
Remaining Fund Information	The Fiduciary Fund Financial Statements and the nonmajor columns in the Governmental and Proprietary Fund Financial Statements	A-36 A-24

SOURCE: Compiled by Legislative Audit Division.

We issued unmodified opinions on the 11 opinion units included in the BFS, as described in the Independent Auditor's Report on page A-5. Unmodified opinions mean the readers of the BFS can rely on the information presented. We also issued an unmodified opinion on the SEFA in relation to the amounts presented in the BFS.

In our *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards* (Yellow Book Report) on page A-1, we report several items, some of which have already been reported in other audit reports and some that we are reporting the first time in this report. If we are reporting the issue for the first time, you will see a finding and recommendation in Chapter II. If there is a recommendation in another audit report, we reference that report in our Yellow Book Report on page A-1. The recommendations reported in Chapter II and the issues summarized on page A-1 will also be reported in the state's Single Audit, in March of 2024. Due to this additional reporting requirement, we use the Single Audit format for the findings and recommendations in Chapter II.

The state of Montana received over \$5 billion in federal grant funding in fiscal year 2022 which subjects the state to the Federal Single Audit Act (act). The act requires the state to complete a Single Audit which includes identified significant deficiencies and material weaknesses in internal control over financial reporting. The format and content of such findings prescribed by federal regulations, 2 CFR 200.516. The internal control deficiencies reported in Chapter II of this report are in the prescribed format for efficiency and consistency in incorporating them in the Single Audit report which will be issued March 2024. The prescribed format includes four components described as follows:

- ♦ **Criteria** – the policy, regulation or other requirement that defines what should be.
- ♦ **Condition** – what happened?
- ♦ **Cause** – why did things go wrong?
- ♦ **Effect** – why is this issue important?

Chapter II – Findings and Recommendations

Internal Controls Over Financial Reporting

Lease Calculations – Department of Natural Resources and Conservation

Criteria: Montana Operations Manual Policy 302(X) states, “To help facilitate statewide compliance with GAAP, State agencies are responsible for implementing internal control procedures.”

Section 17-1-102(4), MCA, requires all state agencies and institutions, to input all necessary transactions in the accounting system before the accounts are closed at fiscal year-end to present the receipt, use, and disposition of all public money and property in accordance with generally accepted accounting principles.

Condition: The Department of Natural Resources and Conservation (department) administers the trust land program for the state. As part of this program, the department manages many leases such as those for cabin sites and real estate, which generate revenue for the program. In fiscal year 2022, the department implemented Governmental Accounting Standards Board Statement No. 87 – Leases (GASB 87), which required different accounting treatment for lease activity. The department did not correctly calculate all of its lease activity per the new accounting regulations.

Out of the 12,700 leases the department manages, 470 leases were subject to GASB 87 in fiscal year 2022: 409 cabin, 53 real estate, and eight atypical real estate leases. The department grouped similar leases resulting in 61 calculations completed to determine the financial value of the department’s leases. We reviewed 17 of the 61 calculations and found 14 of the calculations contained errors.

Effect: The department’s controls are not designed to accurately account for all of its lease activity resulting in a \$10,134,888 misstatement in lease receivable and deferred inflows on the accounting records and noncompliance with state policy.

Cause: While we found errors in the calculations where the information used did not match the related lease, many errors were caused by the department calculating the financial value of all leases as if payments were due annually, but the payment terms for many leases were semi-annual or quarterly. The payment terms impact the breakout between interest and principle and principle is a component of the present value calculation. Because the department calculated all leases as if payment terms were annual, the principle amount is inaccurate for leases not on an annual payment term and accounts for a portion of the \$10 million misstatement.

RECOMMENDATION #1

We recommend the Department of Natural Resources and Conservation implement controls to ensure lease calculations are completed in accordance with Generally Accepted Accounting Principles.

Views of Responsible Officials: The department concurs with this recommendation.

Unemployment Insurance Internal Controls – Department of Labor and Industry

Criteria: Montana Operations Manual Policy 399(V)(C) states, “Management is responsible for establishing and maintaining an effective internal control system.”

Condition: The Department of Labor and Industry’s (department) internal controls were inadequate to ensure its accounting records related to the Unemployment Insurance Fund are complete and accurate for fiscal year 2022. Specifically:

- ♦ The department could not explain why it requested federal reimbursements in the Federal Pandemic Unemployment Compensation (FPUC) program that exceeded the amount of benefits paid by approximately \$5.8 million. In addition, money the department receives before it is earned should be recorded as a liability. The department did not record a liability for the excess FPUC reimbursement in fiscal year 2022 and may be subject to returning some portion of the funds back to the federal government.
- ♦ The department did not maintain documentation that supported the calculation of the average annual wage for fiscal year 2022. The average annual wage is used to determine minimum and maximum unemployment benefit amounts and helps determine eligibility for unemployment benefits. The calculation uses a point-in-time report containing wage information that changes over time. The department did not keep a copy of the wage report.

Related to the fiscal year-end processes of the department:

- ♦ The department used incorrect data to estimate fiscal year 2022 benefits it will pay in future years. Additionally, in the fiscal year 2021 estimate, the department adjusted its method of estimation due to the COVID-19 public health emergency. The temporary adjustment to the methodology produced a fiscal year 2021 estimate that was four times larger than the actual amount paid during the following year. All COVID-19 unemployment programs ended in fiscal year 2021 and therefore have no effect on benefits related to fiscal year 2022. Department management did not alter the methodology in fiscal year 2022 to account for the changes in unemployment insurance programs.
- ♦ Management changed the methodology for estimating gross short-term accounts receivables related to benefit overpayments but failed to document the change or the reasoning for the change. In addition, the department did not adjust the historical data used to estimate the short-term accounts receivable to reflect the new methodology.

A financial statement error related to year-end accruals was reported as Finding 2021-02 in our Single Audit for the two fiscal years ended June 30, 2021.

Effect: Without adequate controls, errors in the accounting records may not be identified and corrected in a timely manner, and unemployment insurance claimants may not receive the correct amount of benefits they are entitled to. Errors identified on state accounting records in fiscal year 2022 were as follows:

- ♦ There is an estimated unrecorded liability of \$5.8 million related to the FPUC program.
- ♦ The benefit liability accrual was overstated by an estimated \$2.2 million.
- ♦ Net short-term accounts receivables for benefit overpayments were overstated by an estimated \$8.7 million.

Cause: Department staff did not retain adequate documentation to support federal reimbursements or the calculation of the average weekly wage. Management’s decision to deviate from the established fiscal year-end accrual process was not adequately documented, and fiscal year-end procedures were not updated. Documented policies and procedures reduce the risk of noncompliance when the department experiences turnover, which they did in fiscal year 2022.

RECOMMENDATION #2

We recommend that the Department of Labor and Industry should enhance internal controls and maintain documentation to support amounts on the accounting record in the Unemployment Insurance Fund.

Views of Responsible Officials: The department concurs with this recommendation.

Room and Board Expenditures – The Department of Corrections

Criteria: Montana Operations Manual (MOM) Policy 399, states “Management is responsible for establishing and maintaining an effective internal control system.”

MOM Policy 375 states, “It is the responsibility of the person approving the accrual to verify that the valid obligation criteria have been met, and to retain adequate supporting documentation.”

Condition: The Department of Corrections (department) pays other entities like county detention centers when they house inmates on behalf of the department. We refer to these expenses as room and board. The department did not have adequate controls in place to prevent and detect room and board expenditures misstatements in the state’s General Fund for fiscal years 2021 and 2022. Total room and board expenditures in fiscal year 2022 were over \$75 million

The department records accruals at fiscal year-end for expenses incurred but not yet paid. We reviewed support for room and board expenditure accruals for fiscal years 2021 and 2022. Accruals in fiscal year 2021 were approximately \$1.3 million. Approximately \$11,000 of the accrual was not supported by appropriate documentation. Fiscal year 2022 accruals were approximately \$2 million and approximately \$31,500 of the accrual either used an old rate or was unsupported, including \$1,000 in “miscellaneous” expenses in the room and board account where the expenditures were later billed as utilities and postage.

During our room and board expenses sample testing, we found four rate errors out of 63 tested. We tested both fiscal years 2021 and 2022 in the sample. The total population was 3,038 reimbursements.

Effect: Without adequate controls like support for accrual estimates and a way to track differing rates, there is risk that errors in the accounting system will not be identified and corrected. In addition, correctional facilities could receive more or less than they are owed. Laws in the 2023 session standardize the rates paid to counties, making the calculation less difficult. However, laws can change every session and the department should update their procedures as needed if changes are made.

Cause: The staff reviewing the expenses is knowledgeable and catches errors during review, but there were changes with county payments in fiscal year 2022. House Bill 2 defined a maximum rate to pay counties for room and board expenses in the last few legislative sessions. Because the department was having difficulty getting counties to sign contracts, the department decided not to require contracts with counties and to either pay a rate set by the county via county resolutions or the House Bill 2 maximum rate, whichever was less. Multiple rates make calculating payments difficult, and the department did not document their decision to replace contracts with county resolutions, making rate support difficult to obtain.

RECOMMENDATION #3

We recommend Department of Corrections strengthen internal controls related to room and board expenditures.

Views of Responsible Officials: The department concurs with the recommendation.

Office of Budget and Public Planning SEFA Internal Controls – Governor’s Office

Criteria: Federal regulation, 2 CFR 200.510 (b), requires the state of Montana to prepare a schedule of expenditures of Federal awards (SEFA) for the period covered by the financial statements. All federal awards expended must be reported.

Federal regulation, 2 CFR 200.302, requires the State of Montana to establish financial management systems sufficient to permit the preparation of accurate reports.

Montana Operations Manual Policy 399(V)(C) states, “Management is responsible for establishing and maintaining an effective internal control system.”

Condition: The Governor’s Office received Coronavirus State and Local Fiscal Recovery Funds. In our review of the draft SEFA, we identified \$37 million in expenditures, received as a direct grant by the Governor’s Office and transferred to other state agencies to spend, were not reported on the SEFA. While the error was corrected, Governor’s Office’s internal controls were insufficient to ensure grants received at one state entity and subgranted to others were appropriately included on the SEFA. Other state agencies appropriately reported the funds they received as subgrants on the draft SEFAs provided to the Governor’s Office and these were excluded as required to avoid the SEFA reporting the same grant twice. The SEFA should only report the direct grant from the federal government to the state.

The Office of Budget and Program Planning (OBPP) combines all agency information and prepares the state’s SEFA. OBPP did not detect the error in the Governor’s Office SEFA, indicating their internal controls need strengthening.

Effect: Without the audit process, the final SEFA may have been understated by \$37 million. Additionally, this increases risk of not complying with Single Audit requirements to audit federal programs with activity above the calculated threshold. OBPP corrected the error in the final SEFA.

Cause: The Governor's Office overlooked the need to report the subgranted amounts on their SEFA and OBPP's controls did not detect the error.

RECOMMENDATION #4

We recommend the Governor's Office and its Office of Budget and Program Planning should strengthen internal controls to ensure the completeness of federal expenditures on the SEFA.

Views of Responsible Officials: The department concurs with this recommendation.

Schedule of Federal Expenditures (SEFA) Internal Controls – Public Health and Human Services

Criteria: Federal regulation, 2 CFR 200.510(b)(3) requires the Schedule of Expenditures of Federal Awards (SEFA) to provide total federal awards expended for each individual federal program by its Assistance Listing Number (ALN).

Office of Budget and Program Planning's (OBPP) instructions for preparation of the fiscal year 2022 SEFA indicate the amount of the expenditures should include prior year corrections.

Montana Operations Manual Policy, 399, indicates management is responsible for establishing and maintaining an effective internal control system.

Federal regulation, 2 CFR 200.302, requires the State of Montana to establish financial management systems sufficient to permit the preparation of accurate reports.

Condition: The Department of Public Health and Human Services (department) did not prevent or detect and correct an error in its SEFA before submitting the document to OBPP for fiscal year 2022.

The department's standard procedures include using a separate account within the federal special revenue fund to record activity for each federal program it administers. During fiscal year 2021, the department co-mingled financial information for its Supplemental Nutrition Assistance Program (SNAP) and Pandemic-Electronic Benefits Transfer (P-EBT) federal programs in a single account within the federal special revenue fund. This resulted in a \$27.6 million error in SEFA information submitted to OBPP for fiscal year 2021. This financial reporting issue was reported as Finding 2021-4 in our Single Audit for the two fiscal years ended June 30, 2021.

The department made prior year corrections to its accounting records in fiscal year 2022. When the department prepared its SEFA information for fiscal year 2022, it made adjustments to its SEFA for the prior year corrections for the P-EBT program but not for the SNAP program.

Effect: By not identifying the need to adjust SNAP financial activity for fiscal year 2022, expenditures were understated by \$27.6 million in the SEFA submitted to OBPP. This puts the state at risk for

material errors in the consolidated SEFA. Additionally, this increases risk of not complying with Single Audit requirements to audit federal programs with activity above the calculated threshold. OBPP corrected the error in the final SEFA.

Cause: Department staff identified the need to make a SEFA adjustment for the P-EBT program but overlooked the need to make a similar SEFA adjustment for the SNAP program.

RECOMMENDATION #5

We recommend the Department of Public Health and Human Services enhance internal controls over financial reporting to ensure prior year adjustments are fully reflected in the SEFA submitted to the Office of Budget and Program Planning.

Views of Responsible Officials: The department concurs with this recommendation.

**Independent Auditor's Report and
Basic Financial Statements, Required
Supplementary Information, and Schedule
of Expenditures of Federal Awards**

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Legislative Audit Committee
of the Montana State Legislature:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the state of Montana's Basic Financial Statements, and have issued our report thereon March 22, 2023. Our report includes a reference to other auditors who audited the financial statements of the Montana State University component units, the University of Montana component units, and the Montana Reinsurance Association component unit as described in our report on the state of Montana's financial statements. The financial statements of the Montana State University component units and the University of Montana component units were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance associated with the university component units or that are reported on separately by those auditors who audited the financial statements of the Montana Reinsurance Association.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the state of Montana's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the state of Montana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described below to be material weaknesses:

- ♦ Department of Administration's (DOA) internal controls were not sufficient to ensure compliance with state law requiring uniform accounting across state agencies, all necessary transactions are recorded before the books close at fiscal year-end. DOA recorded pension expense entries on behalf of all state agencies. When making the entries at fiscal year-end 2022, the department split activity across Department of Correction's funds using an inaccurate analysis of payment sources. At the time of the analysis, Department of Corrections made adjusting entries to their financial activity that skewed the analysis. There was no process to review whether the activity recorded at that time was an accurate representation of the activity for the year. This resulted in multiple misstatements, ranging from \$2.4 million to \$24.9 million, on the accounting records when the books closed, impacting the Business-Type Activities opinion unit. The DOA report (#22-14) has a recommendation related to this internal control deficiency.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies.

- ♦ Department of Revenue's (DOR) internal controls related to timely recording of received wires in the state's accounting system should be strengthened. DOA receives wires from US Bank daily. State accounting policy requires agencies to run reports out of the state's accounting system in order to identify wires and create accounting journals, making the funds available for expenditure. We identified eight deposits without accounting journals six days or more after receiving the wire. Without timely identification of wires received on behalf of the department, there is a risk of revenues not being recorded on SABHRS to the department's credit in the proper fiscal year. One wire crossed the fiscal year-end period in fiscal year 2022, resulting in an approximately \$5.3 million understatement of revenues. This error affected the General Fund opinion unit. Our report (#22-14), made a recommendation related to this internal control deficiency.
- ♦ Department of Administration should obtain and review service organization control (SOC) reports for State Information Technology Services Division (SITSD) and Health Care and Benefits Division (HCBBD) contracted service organizations as these organizations manage material revenue for the state of Montana. A common method to ensure a service organization is meeting its obligations related to internal control processes and procedures is to obtain an examination with results accumulated into a SOC report. HCBBD relies on the contracted claims audits, but these audits are not a replacement for a SOC report. Similarly, SITSD implemented new billing software, but did not have a process in place to review their contractor's SOC reports. These deficiencies affect the Governmental Activities and the Remaining Fund Information opinion units. The report over DOA (#22-13) made a recommendation related to this internal control deficiency.
- ♦ Montana State University's internal controls did not detect significant errors in draft statements and notes, resulting in misstatements in the initial draft Basic Financial Statements for the state. We consider this a significant deficiency affecting the Discretely Presented Component Unit opinion unit. Our report (#22-11), made a recommendation related to this internal control deficiency.

- ◆ Department of Corrections internal controls related to room and board expenditures should be improved to ensure accuracy and completeness of revenue in the state's accounting records. This deficiency affects the General Fund opinion unit. See further details on this recommendation on page 7.
- ◆ We identified three internal control deficiencies at the Department of Labor and Industry, which combined, are a significant deficiency for the state's Basic Financial Statements. This deficiency affects the Unemployment Insurance opinion unit. See further details on this recommendation on page 6.
- ◆ The Department of Natural Resources and Conservation's internal controls over leases receivable and deferred inflows were not sufficient to prevent, detect, and correct misstatements in the state's accounting records. This deficiency affects the Land Grant opinion unit. Page 5 explains this recommendation further.
- ◆ The Department of Public Health and Human Services did not adjust the Schedule of Expenditures of Federal Awards (SEFA) for an error in the prior year. See further details of this recommendation on page 10.
- ◆ The final significant deficiency is described on page 9. Internal controls at the Governor's Office were not in place to ensure grants received at one state entity and subgrantee to others were appropriately included on the face of the SEFA.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the state of Montana's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The identified instance of noncompliance is described below.

- ◆ The Montana Public Employees' Retirement Board administers eight defined benefit retirement plans. The Montana Constitution and state law require all retirement systems to be actuarially sound, meaning the retirement system must amortize in 30 years or less. The actuarial valuation as of June 30, 2022, indicates the Highway Patrol Officers', Public Employees', Game Wardens' and Peace Officers', and the Sheriffs' Retirement Systems are not actuarially sound as they don't amortize over 30 years or less. This compliance issue affects the Remaining Fund Information opinion unit.

State of Montana's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the state of Montana's response to the findings identified in our audit, described in the separately issued Public Employees' Retirement Administration report (#22-08), Montana State University report, Department of Revenue report (#22-14), Department of Administration report (#22-13), and on pages B-1 through B-7 of this report. The state of Montana's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Montana's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

March 22, 2023

Angus Maciver, Legislative Auditor
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors:
Cindy Jorgenson
William Soller

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the state of Montana's basic financial statements as follows:

- ◆ Statement of Net Position
- ◆ Statement of Activities
- ◆ Balance Sheet-Governmental Funds
- ◆ Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
- ◆ Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds
- ◆ Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
- ◆ Statement of Fund Net Position-Proprietary Funds
- ◆ Statement of Revenues, Expenses, and Changes in Fund Net Position-Proprietary Funds
- ◆ Statement of Cash Flows-Proprietary Funds
- ◆ Statement of Fiduciary Net Position-Fiduciary Funds
- ◆ Statement of Changes in Fiduciary Net Position-Fiduciary Funds.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the state of Montana, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Montana State University (MSU) component units, the University of Montana (UM) component units, or the Montana Reinsurance Association

(MRA) which represent 16.78 percent, 30.46 percent, and 2.91 percent, respectively of the assets, net position, and revenues of the aggregate discretely presented component units as of June 30, 2022. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for the component units of UM and MSU and the MRA component unit is based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the state of Montana and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of MSU's component units and UM's component units were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matters

As discussed in Note 2A with further details in Note 1M and a variety of other note disclosures, the state of Montana Implemented the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB 87 requires the State to recognize a lease liability and an intangible right-to-use lease asset for lessee activity and a lease receivable and deferred inflow of resources for lessor activity. Our opinions are not modified with respect to this matter.

As discussed in Note 2B, MRA is a new discretely presented component unit for the state. Condensed financial statements for MRA can be found at Note 18. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the state of Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting

a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- ◆ Exercise professional judgment and maintain professional skepticism throughout the audit.
- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the state of Montana's internal control. Accordingly, no such opinion is expressed.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- ◆ Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the state of Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, the Pension Plan Information, the Other Postemployment Benefits Plan Information (OPEB), and the Risk Management Trend Information, and the related notes, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consists of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the state of Montana's basic financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations *Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2023, on our consideration of the state of Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the state of Montana's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the state of Montana's internal control over financial reporting and compliance.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

March 22, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Management of the State of Montana (State) provides this *Management's Discussion and Analysis* of the State of Montana's basic financial statements included in the Annual Comprehensive Financial Report (ACFR). This is a narrative overview and analysis of the financial activities of the State of Montana for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the additional information that is furnished in the State's financial statements, which follow.

FINANCIAL HIGHLIGHTS

Government-wide

The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2022 by \$12.7 billion compared with \$11.0 billion at the end of fiscal year 2021, representing a 15.1% increase in net position. Component units reported net position of \$2.51 billion at the end of fiscal year 2022 compared to \$2.47 billion at the end of fiscal year 2021, representing a 1.7% increase in net position. More detail is provided in the financial statement overview below.

Fund Level

As of the close of fiscal year 2022, the State's governmental funds reported combined ending fund balances of \$7.0 billion compared with \$5.7 billion at fiscal year 2021. This represents a \$1.3 billion (23.3%) increase in total fund balance. Of the 2022 balance, \$2.0 billion is not in spendable form, primarily as permanent fund principal. Thus, \$5.0 billion is available for spending. The fund balance in spendable form is segregated by constraint as follows: \$1.2 billion restricted, \$1.9 billion committed, \$95.3 million assigned, and \$1.7 billion unassigned. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

The State's business-type activity funds reported net position at the close of fiscal year 2022 in the amount of \$683.6 million compared with fiscal year 2021 net position of \$566.7 million. Of the 2022 business-type activity net position, \$21.3 million was reported as net investment in capital assets. Net position of \$662.3 million was in spendable form with \$18.3 million unrestricted and \$644.0 million restricted to expenditure for a specific purpose. This represents a \$117.0 million (21.5%) increase in spendable net position from the fiscal year 2021 balance of \$545.3 million. These changes are discussed in more detail in the financial analysis of the State's major funds presented below.

Long-term Debt

The State's total governmental activity bonds and notes payable for governmental activities decreased by \$8.1 million, from \$171.3 million in fiscal year 2021 to \$163.2 million, a (4.7)% decrease in fiscal year 2022. Further detail relating to the State's long-term debt is provided in notes to the financial statement's Note 11.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the State of Montana's basic financial statements. The State's basic financial statements include three components: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. The report also contains additional required supplementary information, which includes budgetary schedules, pension and other post employment benefits plan information, and risk management trends. These components are described below:

Basic Financial Statements

The basic financial statements include two types of financial statements that present different views of the State – the *government-wide financial statements* and the *fund financial statements*. These financial statements also include the *notes to the financial statements*, which provide further detail and information related to the balances of the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. In other words, they follow methods that are similar to those used by most businesses, including all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid. The government-wide financial statements include two statements: The *Statement of Net Position* and the *Statement of Activities*, as defined below.

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The *Statement of Activities* presents information related to the government's net position changes during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods. This statement also presents a comparison between direct expenses and program revenues for each function of the State.

Both of the above financial statements have separate sections for three different types of state activities. These three types of activities are as follows:

Governmental Activities – Activities mostly supported by taxes and intergovernmental revenues, including federal grants. Most services normally associated with state government fall into this category, including education (support for both K-12 public schools and higher education), general government, health and human services, natural resources, public safety, and transportation.

Business-type Activities – Functions normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The major business-type activities of the State include the Unemployment Insurance Fund and the Municipal Finance Programs, which assists Montana's small businesses and local governments in obtaining long-term, fixed-rate financing through private Montana lending institutions.

Discretely Presented Component Units – Operations for which the State has financial accountability, but have certain independent qualities as well. In order to be considered component units, these entities must be legally separate to the extent that they may sue, or be sued, in their own right. For the most part, these entities operate similarly to private sector businesses and the business-type activities described above. The State's component units consist of one financing authority, one housing board, one nonprofit independent public corporation, one nonprofit association, and two universities.

Fund Financial Statements - Reporting the State's Major Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the state government, reporting the State's operations in more detail than the government-wide statements. All of the funds can be divided into three categories. It is important to note that these fund categories use different accounting approaches and should be interpreted individually. The three categories of funds are as follows:

Governmental Funds – Most of the basic services provided by the State are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-

wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources. They also focus on the balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the State's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the State.

The State has five governmental funds that are considered major funds for presentation purposes. Each major fund is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The State's five major governmental funds are the General Fund, the State Special Revenue Fund, the Federal Special Revenue Fund, the Coal Severance Tax Fund, and the Land Grant Fund.

Proprietary Funds – When the State charges customers for the service it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Like the government-wide statements, proprietary fund statements utilize full accrual accounting, the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Whereas internal service funds report activities that provide supplies and services to the State's other programs and activities.

Fiduciary Funds – Resources held for the benefit of parties outside state government are accounted for in fiduciary funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary fund statements use the full accrual basis of accounting.

Notes to the Financial Statements

The *notes to the financial statements* provide additional information that is essential for a full understanding of the *government-wide* and the *fund financial statements*. The *notes to the financial statements* can be found immediately following the fiduciary fund financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section contains a budgetary comparison schedule, which includes the reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the General Fund and major special revenue funds as presented in the governmental *fund financial statements*. Required supplementary information also includes pension and other post employment benefits plan information, as well as additional risk management trend data.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Montana's overall financial position increased from the last fiscal year, as reflected in the \$1.7 billion increase (15.1%) in net position. This improvement resulted from the continued growth, particularly in tax revenue. However, growth is not expected to persevere in fiscal year 2023, as the associated financial and economical affects of the pandemic continue to be realized.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (government and business-type activities) totaled \$12.7 billion at the end of fiscal year 2022. Net position of both governmental and business-type activities increased by \$1.5 billion (14.8%) and increased by \$116.9 million (20.6%), respectively. These changes are explained in detail in the Financial Analysis of the State's Major Funds section.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment, right to use lease assets, and infrastructure (roads, bridges, and other immovable assets) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although

the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the State's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the State's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the State reported positive balances in all three categories of Net position, both for the primary government as a whole, and for its separate governmental and business-type activities.

Net Position
June 30,
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2021	2022	2021	2022	2021	2022
Current and other assets	\$ 7,849,347	\$ 10,020,507	\$ 746,786	\$ 791,818	\$ 8,596,133	\$ 10,812,325
Capital assets	7,067,035	7,355,729	21,377	25,366	7,088,412	7,381,095
Total assets	14,916,382	17,376,236	768,163	817,184	15,684,545	18,193,420
Deferred outflows of resources	1,031,934	763,888	5,792	5,172	1,037,726	769,060
Long-term liabilities						
Due in more than one year	3,535,117	2,543,371	23,131	88,949	3,558,248	2,632,320
Other liabilities	1,823,324	2,231,649	181,844	43,717	2,005,168	2,275,366
Total liabilities	5,358,441	4,775,020	204,975	132,666	5,563,416	4,907,686
Deferred inflows of resources	163,799	1,397,841	2,299	6,087	166,098	1,403,928
Net investment in capital assets	6,962,944	7,094,224	21,360	21,284	6,984,304	7,115,508
Restricted	3,574,995	3,603,589	520,696	644,005	4,095,691	4,247,594
Unrestricted	(111,863)	1,269,450	24,625	18,314	(87,238)	1,287,764
Total net position	\$ 10,426,076	\$ 11,967,263	\$ 566,681	\$ 683,603	\$ 10,992,757	\$ 12,650,866

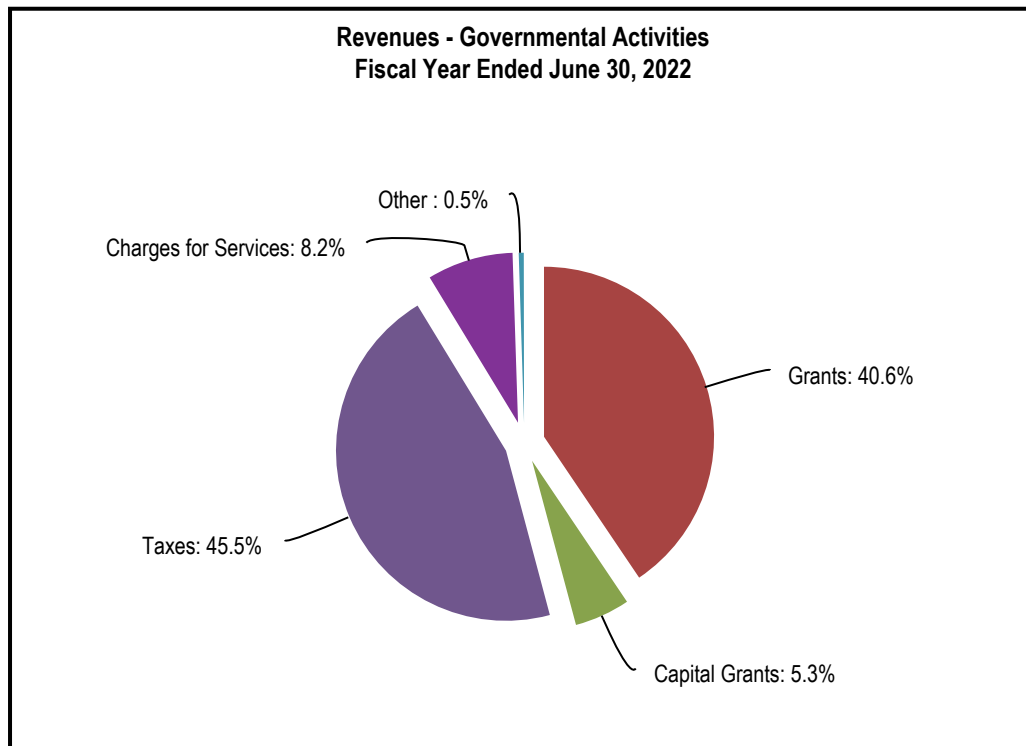
The following condensed financial information was derived from the government-wide Statement of Activities, and reflects how the State's net position changed during the fiscal year:

Changes in Net Position
For Fiscal Year Ended June 30,
(expressed in thousands)

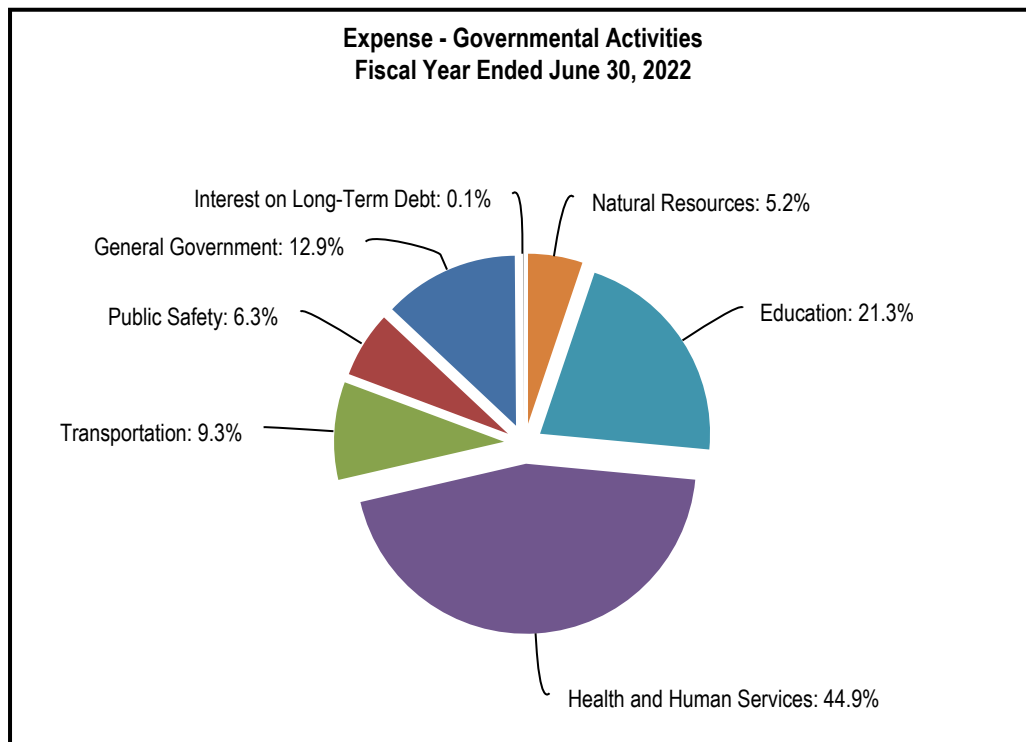
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	2021	2022	2021	2022	2021	2022
Revenues:						
Program revenues						
Charges for services	\$ 693,875	\$ 737,036	\$ 519,186	\$ 540,409	\$ 1,213,061	\$ 1,277,445
Operating grants	4,441,208	3,658,290	68,576	68,639	4,509,784	3,726,929
Capital grants	531,666	479,184	883	873	532,549	480,057
General revenues						
Taxes	3,170,440	4,103,161	38,141	40,064	3,208,581	4,143,225
Other	130,057	40,766	555,820	27,345	685,877	68,111
Total revenues	8,967,246	9,018,437	1,182,606	677,330	10,149,852	9,695,767
Expenses:						
General government	1,699,213	970,869			1,699,213	970,869
Public safety	544,839	477,120			544,839	477,120
Transportation	611,537	699,407			611,537	699,407
Health and human service	3,418,518	3,383,554			3,418,518	3,383,554
Education	1,492,682	1,600,965			1,492,682	1,600,965
Natural resources	361,420	390,791			361,420	390,791
Interest on long-term debt	5,026	5,724			5,026	5,724
Unemployment Insurance			728,476	62,150	728,476	62,150
Liquor Stores			120,913	120,008	120,913	120,008
State Lottery			99,353	99,402	99,353	99,402
Municipal Finance Programs			1,602	853	1,602	853
Hail Insurance			796	943	796	943
Other Services			81,765	78,623	81,765	78,623
Prison Funds			7,042	7,523	7,042	7,523
MUS Group Insurance			106,068	120,522	106,068	120,522
MUS Workers Comp			2,852	1,401	2,852	1,401
Total expenses	8,133,235	7,528,430	1,148,867	491,425	9,282,102	8,019,855
Increase (decrease) in net position before transfers	834,011	1,490,007	33,739	185,905	867,750	1,675,912
Transfers	(138,881)	69,224	138,881	(69,224)	—	—
Change in net position	695,130	1,559,231	172,620	116,681	867,750	1,675,912
Net position, beg of year (as adjusted)	9,730,946	10,408,032	394,061	566,922	10,125,007	10,974,954
Net position, end of year	\$ 10,426,076	\$ 11,967,263	\$ 566,681	\$ 683,603	\$ 10,992,757	\$ 12,650,866

Governmental Activities

The following chart depicts revenues of the governmental activities for the fiscal year:

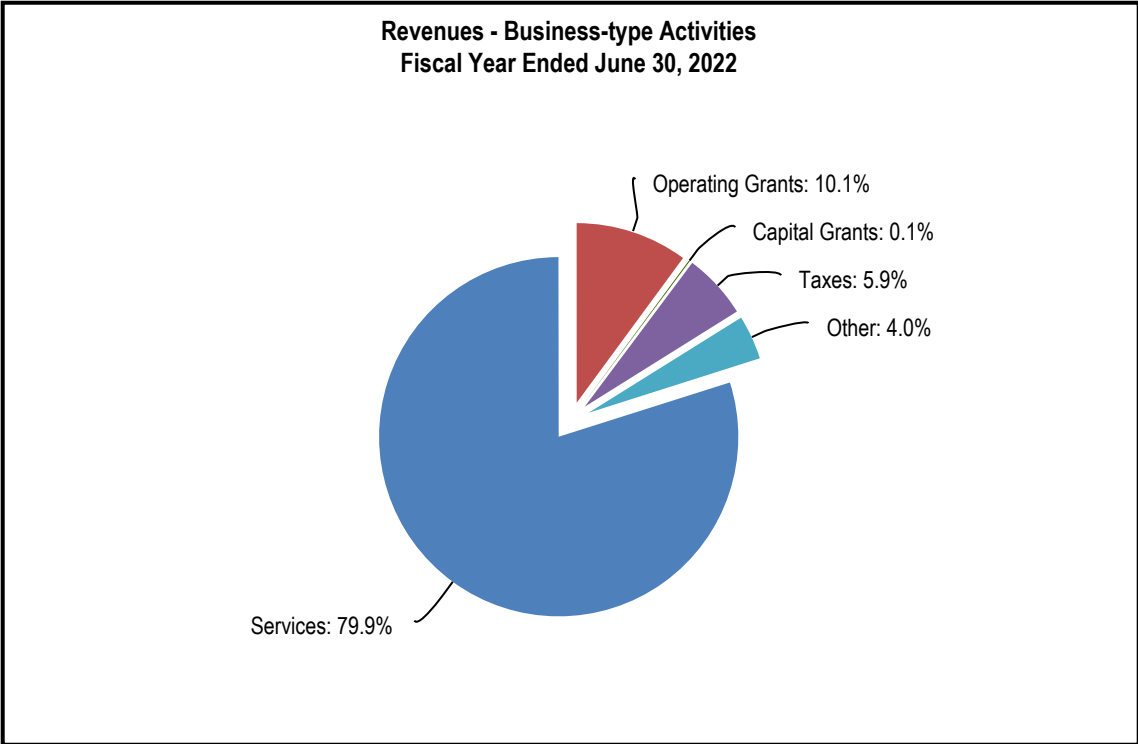


The following chart depicts expenses of the governmental activities for the fiscal year:

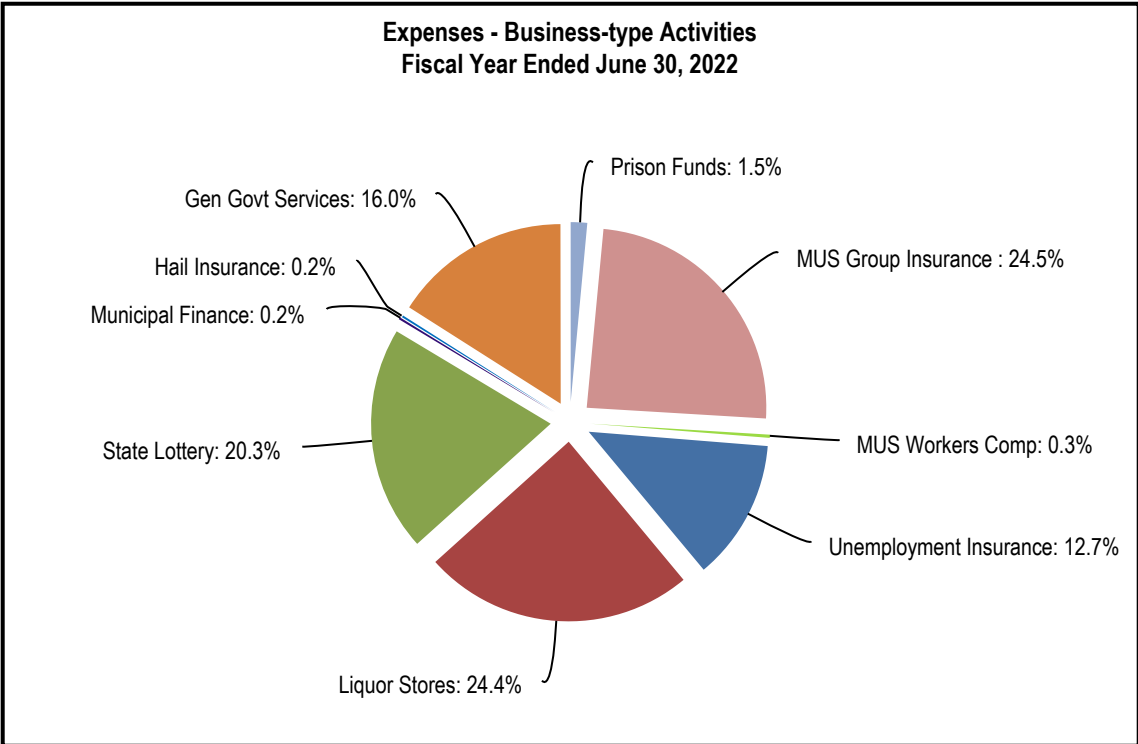


Business-type Activities

The following chart depicts revenues of the business-type activities for the fiscal year:



The following chart depicts expenses of the business-type activities for the fiscal year:



FINANCIAL ANALYSIS OF THE STATE'S MAJOR FUNDS

As the State completed the year, its governmental funds reported fund balances of \$7.0 billion. Of this total, \$5.0 billion (71.7%) constitutes spendable fund balance and \$2.0 billion (28.3%) is classified as non-spendable. The analysis of the following major funds, providing the majority of the fund balance for the government, follows.

General Fund Revenues and Expenditures

The General Fund is the chief operating fund of the State. For fiscal year 2022, the total fund balance of the General Fund was reported at approximately \$2.0 billion. Of this balance, \$9.5 million is non-spendable. The remaining balance is spendable with \$118.9 million committed, \$94.6 million assigned, and \$1.8 billion unassigned. This spendable fund balance of the General Fund represents 39.7% of the \$5.0 billion spendable governmental fund balances for all governmental funds. Of the assigned fund balance, \$75.0 million pertains to the projected general fund spend down of fund balance in fiscal year 2023 and \$19.6 million relates to outstanding encumbrances at the end of the fiscal year. The committed fund balance of \$118.9 million relates to the balance of the Budget Stabilization Reserve Fund, which is combined with the General Fund for financial statement presentation. Further detail on the breakdown of fund balance for the General Fund is provided in Note 14 – Major Purpose Presentation.

Total fund balance increased by \$1.1 billion when compared to the previously reported fund balance of \$856.3 million. Changes in both expenditures and revenues are discussed in detail below. The 2021 legislative session projected \$357.1 million of unassigned fund balance for fiscal year 2022, without regard to a fund balance spend down. The difference was primarily the result of a larger than anticipated beginning fund balance, larger than anticipated revenues, and smaller than anticipated expenditures.

General Fund Revenues – Total General Fund revenues were \$3.7 billion for fiscal year 2022 (higher than legislative estimation), a 28.6% increase from the \$2.8 billion reported in 2021 (which were higher than legislative estimation). Fiscal year 2022 tax revenue increased by 30.2% in total over 2021, with corporate income tax collections up 11.1% and individual income tax collections increased by 37.2%. The large tax revenue gains were the result of the strong economic conditions of the state coming out of the COVID-19 restrictions. In addition, the large federal spending provisions implemented during fiscal year 2021 increased disposable incomes for individuals, state governments, and businesses. Other noted increases in revenues included licenses/permits and charges for services/fines/forfeits/settlements.

General Fund Expenditures – Total General Fund expenditures for fiscal year 2022 increased by \$49.3 million (2.1%). This increase in expenditures occurred in the health and human services, education, natural resource, and public safety functions; and the decrease in expenditures occurred in the general government and transportation function as follows:

- General government expenditures decreased by \$2.2 million (0.6%)
- Transportation expenditures decreased by \$173.0 thousand
- Health and human services expenditures increased by \$13.3 million (2.7%)
- Education expenditures increased by \$20.8 million (1.9%)
- Natural resources expenditure increased by \$295.0 thousand (0.8%)
- Public safety expenditures increased by \$10.8 million (3.5%)

The expenditures in the education function increased partially due to OPI K-12 Base Aid increase.

The General Fund's actual revenues and expenditures in comparison to budgeted revenues and expenditures is provided in more depth on the Budgetary Comparison Schedule within the Required Supplementary Information section of this report. The same level of detail used to report the actual revenues and expenditures is not readily available for all budgetary revenues and expenditures, which may cause some variances.

General Fund Expenditure Budget Reversions

Fund balances are not reserved for reverted appropriations. For fiscal year 2022, General Fund appropriations that reverted to 2023 were \$14.2 million, detailed as follows:

- The Department of Public Health and Human Services had unspent appropriations of \$2.4 million related to the costs reimbursed by federal funding associated with COVID-19 and other operational costs.
- The Department of Corrections had unspent appropriations of \$1.0 million related to restricted funds as a contingency for the county jail bed holds, information technology and for an adjustment for worker's comp reverted back to the general fund.
- The Judicial Branch had unspent appropriations of \$3.4 million related to vacancy savings, operational costs, and benefits and claims.
- The Department of Revenue had unspent appropriations of \$2.2 million related to funds available to local governing bodies pursuant to Section 15-1-402 (6)(d), MCA, regarding protested property taxes, Section 15-1-120, MCA, regarding entitlement share payments, and other operational costs.
- The Office of the Governor had unspent appropriations of \$1.1 million related to vacancy savings and operational cost savings.
- The Department of Natural Resources and Conservation had unspent appropriations of \$1.2 million related to unspent operation costs associated with vacancy savings and personal services costs.
- The remaining unspent appropriation of \$2.9 million was attributable to miscellaneous reversions across other agencies.

State Special Revenue Fund

The fund balance of the State Special Revenue Fund increased by \$92.7 million to \$2.1 billion. Revenues increased by \$88.7 million (7.9%) and expenditures increased \$116.8 million (9.8%), for fiscal year 2022. The largest increases in revenues are attributable to an increase in natural resource and other taxes, and licenses and permits. The largest increases in expenditures are attributable to general government and natural resources expenditures. Other financing sources increases included increased energy conservation loans, and more excess lands were sold by Montana Department of Transportation due to legislative action making it easier to make purchases through an online portal. Other financing sources, such as bond issued, decreased due to a decrease in new bonds issued. Other financing uses, such as transfers out of the State Special Revenue Fund to other governmental funds decreased. The effect of transfers into the State Special Revenue Fund from other governmental funds resulted in an increase in fund balance.

Federal Special Revenue Fund

The fund balance of the Federal Special Revenue Fund decreased by \$14.0 million (123.3%) to the balance of negative \$25.3 million. Revenues and expenditures decreased by \$822.7 million (17.1%) and \$611.8 million (13.4%) respectively, for the fiscal year 2022. Revenue decreases are attributable to decreases in federal program revenue, including COVID-19 related federal funding. Expenditure decreases are attributable to decreases in general government, health and human services, public safety, transportation, and natural resources related expenditures. The education related expenditure increases are attributable to COVID-19.

Coal Severance Tax Permanent Fund

The fund balance of the Coal Severance Tax Permanent Fund decreased by \$12.8 million (1.0%) to \$1.2 billion. Revenue decreased by \$23.3 million (58.4%) to \$16.6 million, primarily due to a decrease of investment earnings.

Land Grant Permanent Fund

The fund balance of the Land Grant Permanent Fund increased by \$2.3 million (0.3%) to \$873.9 million. Revenue decreased by \$22.9 million to a total of \$70.7 million, and the investment earnings were attributable to the decrease. Primarily, income generated by the State's trust lands resulted in an increase in fund balance.

The State's proprietary funds financial statements provided the same type of information founded in the government-wide financial statements, but in more detail. As the State completed the year, the enterprise funds reported fund balances of \$683.6 million. Of this total, \$662.3 million (96.9%) constitutes spendable

net position and \$21.3 million (3.1%) is classified as net investment in capital assets. The analysis of the following major enterprise funds, providing the majority of the net position for the business-type activities, follows.

Unemployment Insurance Enterprise Fund

Net position restricted for unemployment compensation increased by \$123.0 million (30.7%). The increase in net position is attributable to lower unemployment claims and CARES Act funding from the Governor's Office to help maintain trust fund balances in an effort to keep rates from raising and placing an undue burden on employers in fiscal year 2022.

Municipal Finance Programs Fund

Net position increased by 5.9% to \$5.2 million in fiscal year 2022. Financing income revenue increased \$8.0 thousand, and investment earnings increased \$13.0 thousand, while expenses from interest expense decreased \$432.0 thousand. Overall revenues and expenditures decreased 1.6% and 46.8%, respectively, which resulted in an increase of \$292.0 thousand to net position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities, as of June 30, 2022, amounted to \$10.0 billion, with related accumulated depreciation of \$2.6 billion, leaving a net book value of \$7.4 billion. This investment in capital assets includes land, buildings, improvements, equipment, right to use lease assets, infrastructure, intangible assets, and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The total increase in the State's investment in capital assets for the current fiscal year was \$292.7 million or 4.1% in terms of net book value. Most increases in capital expenditures were seen in construction, or reconstruction, of roads and bridges. Additional information relating to the State's capital assets can be found in Note 5 of the notes to the financial statements.

Debt Administration

Montana continues to receive excellent general obligation bond ratings from Moody's Investor Service (Aa1), Standard and Poor's Corporation (AA), and Fitch Ratings (AA+), which remain unchanged from 2021.

State debt may be authorized either by a two-thirds vote of the members of each house of the Legislature or by a favorable vote of a majority of the State's electors voting thereon. There is no constitutional limit on the amount of debt that may be incurred by the State. The Montana Constitution does, however, prohibit the incurring of debt to cover deficits caused by appropriations exceeding anticipated revenue.

The State of Montana's general obligation debt increased from \$127.6 million at June 30, 2021, to \$130.8 million at June 30, 2022. There is cash available, of \$8.2 million at the end of fiscal year 2022, in debt service funds to service general obligation debt.

The below table contains the ratio of general obligation debt and total State debt to personal income and to the amount of debt per capita:

	Amount (in thousands)	Percentage of Personal Income ⁽¹⁾	State Debt Per Capita ⁽²⁾
General obligation debt	\$ 130,772	0.21%	\$ 118
Total State debt ⁽³⁾	\$ 394,833	0.60%	\$ 345

⁽¹⁾ Based on personal income for calendar year 2021.
⁽²⁾ Based on estimated 2021 Montana population.
⁽³⁾ Based on total of general obligation bonds, special revenue bonds, notes payable, and lease/financed purchase payable for the percentage and state debt per capita.

More detailed information regarding the State's long-term obligations is provided in Note 11 of the notes to the financial statements and in the statistical tables.

ECONOMIC CONDITION AND OUTLOOK

The State was allocated \$2.0 billion from the American Rescue Plan Act (ARPA) during fiscal year 2021. The legislature has appropriated approximately \$1.8 billion and enacted laws to allow appropriations to continue into the 2025 bienniums. The programs designated by the legislature for ARPA funding are infrastructure, communications, broadband, economic transformation and stabilization, workforce development, housing, and health. ARPA funds spent before June 30, 2022, totaled \$287.0 million. Since June 30, 2022, another \$203.0 million has been spent. The State plans to spend all funds received by June 30, 2026.

Montana's primary economic base remains concentrated in service-providing industries. By share of real gross state product (GSP), the financial activities sector (18%), the trade, transportation, and utilities sector (18%), and the education and health services sector (11%) were Montana's largest in 2021. Manufacturing in Montana accounted for 6.5% of 2021 real GSP and is the state's largest goods-providing industry. Per the 2022 Labor Day Report issued by the Montana Department of Labor and Industry, Montana is experiencing a booming economy, with more Montanans working than ever. Businesses have continued to thrive, grow, and increase production in the face of worker shortages by increasing productivity and raising wages to attract workers. Montana's average annual wage recorded nominal growth of 5.9% in 2021, ranking the 10th fastest among states. Montana's unemployment rate dropped quickly after the pandemic recession, reaching a historic low of 2.3% in March and April of 2022 while the national rate stood at 3.6%. Rapid economic expansion has brought prosperity, but fast growth creates additional pressure on an already constrained labor market. Tight labor markets will continue to challenge Montana's economic growth.

Montana had an estimated 1,106,227 population as of July 1, 2021. The Montana labor market had total nonfarm workers of 514,400 in August 2022 compared to 481,800 in August 2021. A more in-depth analysis of the State's overall financial position can be found in the transmittal letter of this report.

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2022, the Public Employees Retirement System-Defined Benefit Retirement Plan (PERS-DBRP), the Highway Patrol Officers' Retirement System (HPORS), the Sheriffs' Retirement System (SRS), and the Game Warden & Peace Officers' Retirement System (GWPORS) were not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortized in 30 years or less as of the fiscal year ended June 30, 2022.

The actuarial condition of these retirement plans is disclosed in greater detail in Note 6 of the financial statements. The unfunded actuarial liability of these plans is long-term in nature and does not translate into an inability of the plans to meet their current obligations in the near future.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Montana's finances for all of Montana's citizens, taxpayers, customers, investors, and creditors. The financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the State of Montana, Statewide Accounting Bureau, Room 255 Mitchell Building, PO Box 200102, Helena, MT 59620.

STATEMENT OF NET POSITION
JUNE 30, 2022

(amounts expressed in thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
ASSETS				
Cash/cash equivalents (Note 3)	\$ 5,135,042	\$ 618,664	\$ 5,753,706	\$ 628,703
Receivables, net (Note 4)	639,322	66,220	705,542	139,329
Due from primary government	—	—	—	2,006
Due from other governments	361,885	229	362,114	43,602
Due from component units	567	1,310	1,877	263
Internal balances	15,426	(15,426)	—	—
Inventories	35,074	6,746	41,820	4,692
Advances to component units	8,971	7,746	16,717	—
Long-term loans/notes/leases receivable (Note 4)	892,186	85,137	977,323	596,157
Equity in pooled investments (Note 3)	2,617,579	17,392	2,634,971	90,939
Investments (Note 3)	198,656	1,836	200,492	2,374,568
Securities lending collateral (Note 3)	39,997	266	40,263	14,085
Net pension asset (Note 6)	59,202	—	59,202	—
Other assets	16,600	1,698	18,298	23,052
Depreciable capital assets and infrastructure, net (Note 5)	4,862,426	17,310	4,879,736	976,371
Land and nondepreciable capital assets (Note 5)	2,493,303	8,056	2,501,359	104,221
Total assets	17,376,236	817,184	18,193,420	4,997,988
DEFERRED OUTFLOWS OF RESOURCES (Note 4)	763,888	5,172	769,060	126,342
LIABILITIES				
Accounts payable (Note 4)	803,759	23,441	827,200	75,391
Lottery prizes payable	—	4,385	4,385	—
Due to primary government	—	—	—	1,877
Due to other governments	48,316	356	48,672	341
Due to component units	2,006	—	2,006	263
Due to pension trust funds	37,558	—	37,558	—
Advances from primary government	—	—	—	16,717
Unearned revenue	1,053,800	2,350	1,056,150	97,198
Amounts held in custody for others	56,604	32	56,636	13,935
Securities lending liability (Note 3)	39,997	266	40,263	14,085
Other liabilities	5,228	—	5,228	22,150
Long-term liabilities (Note 11):				
Due within one year	184,381	12,887	197,268	212,881
Due in more than one year	508,857	76,329	585,186	1,817,999
Net pension liability (Note 6)	1,915,996	10,590	1,926,586	160,424
Total OPEB liability (Note 7)	118,518	2,030	120,548	50,480
Total liabilities	4,775,020	132,666	4,907,686	2,483,741
DEFERRED INFLOWS OF RESOURCES (Note 4)	1,397,841	6,087	1,403,928	130,931

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
NET POSITION				
Net investment in capital assets	\$ 7,094,224	\$ 21,284	\$ 7,115,508	\$ 715,379
Restricted for:				
General government	11,754	—	11,754	—
Transportation	138,784	—	138,784	—
Health and human service	37,543	—	37,543	—
Natural resources	680,896	—	680,896	—
Public safety	182,254	—	182,254	—
Education	38,017	—	38,017	—
Funds held as permanent investments:				
Nonexpendable	1,949,254	—	1,949,254	512,195
Expendable	565,087	—	565,087	—
Unemployment compensation	—	523,827	523,827	—
Montana Board of Housing	—	—	—	160,180
Other purposes (Note 1)	—	120,178	120,178	306,689
Unrestricted	1,269,450	18,314	1,287,764	815,215
Total net position	\$ 11,967,263	\$ 683,603	\$ 12,650,866	\$ 2,509,658

The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(amounts expressed in thousands)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
Primary government:					
Governmental activities:					
General government	\$ 970,869	\$ 243,057	\$ 338,592	\$ 838	\$ (388,382)
Public safety	477,120	206,407	15,613	—	(255,100)
Transportation	699,407	35,138	60,155	447,988	(156,126)
Health and human services	3,383,554	32,735	2,710,469	648	(639,702)
Education	1,600,965	4,477	419,520	662	(1,176,306)
Natural resources	390,791	215,222	113,941	29,048	(32,580)
Interest on long-term debt	5,724	—	—	—	(5,724)
Total governmental activities	7,528,430	737,036	3,658,290	479,184	(2,653,920)
Business-type activities:					
Unemployment Insurance	62,150	139,413	16,636	—	93,899
Liquor Stores	120,008	141,984	—	—	21,976
State Lottery	99,402	116,051	—	—	16,649
Municipal Finance Programs	853	—	1,145	—	292
Hail Insurance	943	764	3	—	(176)
Other Service	78,623	31,612	51,029	873	4,891
Prison Funds	7,523	6,908	—	—	(615)
MUS ¹ Group Insurance	120,522	102,059	(93)	—	(18,556)
MUS ¹ Workers Compensation	1,401	1,618	(81)	—	136
Total business-type activities	491,425	540,409	68,639	873	118,496
Total primary government	\$ 8,019,855	\$ 1,277,445	\$ 3,726,929	\$ 480,057	\$ (2,535,424)
Component units:					
Montana Board of Housing	\$ 17,997	\$ 2,644	\$ 15,018	\$ —	\$ (335)
Facility Finance Authority	643	1,153	88	—	598
Montana Reinsurance Association	31,732	—	17,627	—	(14,105)
Montana State Fund	210,273	159,680	—	—	(50,593)
Montana State University	686,933	314,355	275,191	18,983	(78,404)
University of Montana	483,135	177,511	160,404	2,209	(143,011)
Total component units	\$ 1,430,713	\$ 655,343	\$ 468,328	\$ 21,192	\$ (285,850)

¹Montana University System

	PRIMARY GOVERNMENT			COMPONENT UNITS
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	
Changes in net position:				
Net (expense) revenue	\$ (2,653,920)	\$ 118,496	\$ (2,535,424)	\$ (285,850)
General revenues:				
Taxes:				
Property	369,202	—	369,202	—
Fuel	282,834	—	282,834	—
Natural resource	265,937	—	265,937	—
Individual income	2,365,833	—	2,365,833	—
Corporate income	298,217	—	298,217	—
Other (Note 1)	521,138	40,064	561,202	—
Unrestricted grants and contributions	17,977	19,705	37,682	—
Settlements	32,973	—	32,973	—
Unrestricted investment earnings (losses)	(25,107)	13	(25,094)	33,021
Transfers from primary government	—	—	—	265,466
Gain (loss) on sale of capital assets	8,291	294	8,585	(598)
Miscellaneous	6,632	7,333	13,965	830
Contributions to term and permanent endowments	—	—	—	61,195
Transfers between primary government	69,224	(69,224)	—	—
Total general revenues, contributions, and transfers	4,213,151	(1,815)	4,211,336	359,914
Change in net position	1,559,231	116,681	1,675,912	74,064
Total net position - July 1 - as previously reported	10,426,076	566,681	10,992,757	2,467,939
Adjustments to beginning net position (Note 2)	(18,044)	241	(17,803)	(32,345)
Total net position - July 1 - as adjusted	10,408,032	566,922	10,974,954	2,435,594
Total net position - June 30	\$ 11,967,263	\$ 683,603	\$ 12,650,866	\$ 2,509,658

The notes to the financial statements are an integral part of this statement.

**BALANCE SHEET
GOVERNMENTAL FUNDS**

JUNE 30, 2022

(amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
ASSETS			
Cash/cash equivalents (Note 3)	\$ 1,974,907	\$ 1,257,072	\$ 1,098,359
Receivables (net)	348,149	153,404	85,370
Interfund loans receivable (Note 12)	114,628	64,601	—
Due from other governments	11,950	2,324	347,418
Due from other funds (Note 12)	51,139	11,257	809
Due from component units	—	321	—
Inventories	5,906	22,686	—
Equity in pooled investments (Note 3)	—	371,245	—
Long-term loans/notes/leases receivable	—	506,500	3,604
Advances to other funds (Note 12)	2,780	48,184	—
Advances to component units	—	1,662	—
Investments (Note 3)	10,132	3,504	—
Securities lending collateral (Note 3)	—	5,673	—
Other assets	2,689	10,111	500
Total assets	\$ 2,522,280	\$ 2,458,544	\$ 1,536,060
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 324,987	\$ 192,005	\$ 261,584
Interfund loans payable (Note 12)	—	11,878	162,811
Due to other governments	425	46,369	1,521
Due to other funds (Note 12)	1,193	26,912	6,218
Due to component units	37,629	444	1,491
Advances from other funds (Note 12)	—	4,561	48,186
Unearned revenue	34	23,514	1,029,388
Amounts held in custody for others	9,136	43,220	937
Securities lending liability (Note 3)	—	5,673	—
Other liabilities	—	331	—
Total liabilities	373,404	354,907	1,512,136
DEFERRED INFLOWS OF RESOURCES	152,257	31,708	49,199
Fund balances (Note 14):			
Nonspendable	9,521	23,576	202
Restricted	—	1,198,509	—
Committed	118,904	849,844	—
Assigned	94,626	—	—
Unassigned	1,773,568	—	(25,477)
Total fund balances	1,996,619	2,071,929	(25,275)
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,522,280	\$ 2,458,544	\$ 1,536,060

The notes to the financial statements are an integral part of this statement.

PERMANENT				
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL	
\$ 54,262	\$ 41,894	\$ 409,358	\$	4,835,852
16,828	8,937	13,491		626,179
—	—	—		179,229
—	—	—		361,692
—	—	5,085		68,290
116	—	130		567
—	—	—		28,592
959,958	831,546	416,484		2,579,233
—	364,880	17,202		892,186
—	—	4,561		55,525
7,249	—	60		8,971
182,723	—	—		196,359
14,668	12,706	6,364		39,411
—	31	—		13,331
<u>\$ 1,235,804</u>	<u>\$ 1,259,994</u>	<u>\$ 872,735</u>	<u>\$</u>	<u>9,885,417</u>
\$ —	\$ 9	\$ 5,154	\$	783,739
1,931	9	2,473		179,102
—	—	—		48,315
540	—	14		34,877
—	—	—		39,564
—	—	2,278		55,025
—	—	—		1,052,936
—	2,896	12		56,201
14,668	12,706	6,364		39,411
—	—	—		331
<u>17,139</u>	<u>15,620</u>	<u>16,295</u>		<u>2,289,501</u>
<u>2,358</u>	<u>370,435</u>	<u>1,030</u>		<u>606,987</u>
662,613	873,939	410,852		1,980,703
—	—	32,477		1,230,986
553,694	—	412,390		1,934,832
—	—	703		95,329
—	—	(1,012)		1,747,079
<u>1,216,307</u>	<u>873,939</u>	<u>855,410</u>		<u>6,988,929</u>
<u>\$ 1,235,804</u>	<u>\$ 1,259,994</u>	<u>\$ 872,735</u>	<u>\$</u>	<u>9,885,417</u>

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION**

JUNE 30, 2022

(amounts expressed in thousands)

Total fund balances - governmental funds	\$	6,988,929
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Amounts reported for governmental activities in the Statement of Net Position are different due to:

Capital assets used in governmental activities are not current financial resources and therefore not reported in the governmental funds (Note 5):

Depreciable capital assets and infrastructure, net	\$	4,862,426	
Land and nondepreciable capital assets		<u>2,493,303</u>	7,355,729

Deferred outflows of resources represent a consumption of net assets that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds.	763,888
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Other assets not available in the current period and therefore are not reported in the governmental funds:

Net pension asset	59,202
Long-term receivables	(303)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position, excluding internal service funds' capital assets, deferred outflows of resources, deferred inflows of resources and long-term liabilities reported in specific areas.	335,018
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Other liabilities that are not due and payable in the current period and are not reported in the governmental funds.	(16,598)
--	----------

A portion of deferred inflows of resources represents an acquisition of net assets that will be recognized as an inflow of resources in a future period, which differs than that reported in the governmental funds.	(790,850)
--	-----------

Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the governmental funds (Note 11):

Other long-term liabilities	(693,238)	
Net pension liability	(1,915,996)	
Total OPEB liability	<u>(118,518)</u>	(2,727,752)

Total net position - governmental activities	<u>\$</u>	<u>11,967,263</u>
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The notes to the financial statements are an integral part of this statement.

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022
 (amounts expressed in thousands)

	SPECIAL REVENUE		
	GENERAL	STATE	FEDERAL
REVENUES (Note 14)			
Licenses/permits	\$ 150,223	\$ 318,215	\$ —
Taxes:			
Natural resource	113,578	108,152	—
Individual income	2,379,459	—	—
Corporate income	293,108	12	—
Property	347,201	22,001	—
Fuel	—	282,835	—
Other	290,457	218,323	—
Charges for services/fines/forfeits/settlements	35,162	127,950	7,014
Investment earnings (losses)	11,764	(5,583)	227
Securities lending income	28	24	—
Sale of documents/merchandise/property	296	11,648	—
Rentals/leases/royalties	55	1,369	—
Contributions/premiums	—	42,419	—
Grants/contracts/donations	15,584	23,812	26
Federal	25,155	7,997	3,874,565
Federal indirect cost recoveries	253	45,895	95,384
Other revenues	1,220	4,869	430
Total revenues	<u>3,663,543</u>	<u>1,209,938</u>	<u>3,977,646</u>
EXPENDITURES			
Current:			
General government	383,413	240,601	260,878
Public safety	321,168	122,933	19,981
Transportation	1	265,730	109,367
Health and human services	504,083	244,557	2,698,897
Education	1,140,171	89,464	396,415
Natural resources	38,521	257,134	99,744
Debt service:			
Principal retirement	9,098	7,739	4,292
Interest/fiscal charges	1,222	1,255	387
Capital outlay	4,194	75,513	376,634
Securities lending	2	5	—
Total expenditures	<u>2,401,873</u>	<u>1,304,931</u>	<u>3,966,595</u>
Excess of revenue over (under) expenditures	<u>1,261,670</u>	<u>(94,993)</u>	<u>11,051</u>
OTHER FINANCING SOURCES (USES)			
Inception of lease/financed purchase	795	3,796	858
Insurance proceeds	—	141	—
General capital asset sale proceeds	107	2,912	—
Bond issued	—	16,035	—
Energy conservation loans	—	1,153	—
Transfers in (Note 12)	130,844	216,249	2,708
Transfers out (Note 12)	(226,254)	(51,496)	(25,764)
Total other financing sources (uses)	<u>(94,508)</u>	<u>188,790</u>	<u>(22,198)</u>
Net change in fund balances	<u>1,167,162</u>	<u>93,797</u>	<u>(11,147)</u>
Fund balances - July 1 - as previously reported	<u>856,300</u>	<u>1,979,198</u>	<u>(11,321)</u>
Adjustments to beginning fund balance (Note 2)	<u>(25,024)</u>	<u>(51)</u>	<u>(2,807)</u>
Fund balances - July 1 - as adjusted	<u>831,276</u>	<u>1,979,147</u>	<u>(14,128)</u>
Increase (decrease) in inventories	<u>(1,819)</u>	<u>(1,015)</u>	<u>—</u>
Fund balances - June 30	<u>\$ 1,996,619</u>	<u>\$ 2,071,929</u>	<u>\$ (25,275)</u>

The notes to the financial statements are an integral part of this statement.

PERMANENT				
COAL SEVERANCE TAX	LAND GRANT	NONMAJOR	TOTAL	
\$ —	\$ 1,642	\$ —	\$ 470,080	
35,221	—	11,251	268,202	
—	—	—	2,379,459	
—	—	—	293,120	
—	—	—	369,202	
—	—	—	282,835	
—	—	13,615	522,395	
—	—	12,590	182,716	
(18,710)	(17,411)	1,966	(27,747)	
61	52	25	190	
—	10,203	—	22,147	
—	76,190	—	77,614	
—	—	—	42,419	
—	1	—	39,423	
—	—	—	3,907,717	
—	—	—	141,532	
—	—	—	6,519	
16,572	70,677	39,447	8,977,823	
—	—	149	885,041	
—	—	29	464,111	
—	—	—	375,098	
—	—	868	3,448,405	
—	—	15	1,626,065	
—	4,263	1,096	400,758	
—	—	22,132	43,261	
—	—	4,820	7,684	
—	—	37,136	493,477	
12	10	5	34	
12	4,273	66,250	7,743,934	
16,560	66,404	(26,803)	1,233,889	
—	—	—	5,449	
—	—	—	141	
—	7,242	1	10,262	
—	—	—	16,035	
—	—	—	1,153	
435	67	168,008	518,311	
(29,748)	(71,455)	(26,690)	(431,407)	
(29,313)	(64,146)	141,319	119,944	
(12,753)	2,258	114,516	1,353,833	
1,229,060	871,681	741,035	5,665,953	
—	—	(141)	(28,023)	
1,229,060	871,681	740,894	5,637,930	
—	—	—	(2,834)	
\$ 1,216,307	\$ 873,939	\$ 855,410	\$ 6,988,929	

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

(amounts expressed in thousands)

Net change in fund balances - total governmental funds	\$ 1,353,833
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Amounts reported for governmental activities in the Statement of Activities are different due to:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, these costs are allocated as depreciation expense over the useful life of the capital asset. Capital outlays exceeded depreciation expense in the current year by the following amount (Note 5):

Capital outlay	\$ 493,477	
Depreciation expense and amortization	<u>(291,100)</u>	202,377

Miscellaneous transactions involving capital assets such as sales (gain/loss) and donations are reported in the Statement of Activities, but only proceeds from sales are reported in the governmental funds.	12,187
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Revenues reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.	33,119
--	--------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(16,035)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and central computer services, to individual governmental funds. Internal service funds are reported separately from governmental funds in the fund financial statements. In the government-wide statements, internal service funds are included with governmental activities.	84,383
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Some expenditures reported in the governmental funds either increase or decrease items reported in the Statement of Net Position.	<u>(110,633)</u>
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Change in net position - governmental activities	<u><u>\$ 1,559,231</u></u>
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The notes to the financial statements are an integral part of this statement.

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	ACTIVITIES - INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash/cash equivalents (Note 3)	\$ 468,480	\$ 4,931	\$ 145,253	\$ 618,664	\$ 299,189
Receivables, net (Note 4)	17,118	7,581	41,521	66,220	13,448
Interfund loans receivable (Note 12)	—	—	500	500	57
Due from other governments	208	—	21	229	197
Due from other funds (Note 12)	—	1,764	5	1,769	404
Due from component units	—	1,310	—	1,310	—
Inventories	—	—	6,746	6,746	6,487
Securities lending collateral (Note 3)	—	—	266	266	586
Other current assets	—	1	352	353	3,267
Total current assets	485,806	15,587	194,664	696,057	323,635
Noncurrent assets:					
Advances to other funds (Note 12)	—	8,952	—	8,952	—
Advances to component units	—	7,746	—	7,746	—
Long-term investments (Note 3)	—	—	19,228	19,228	40,641
Long-term notes/loans receivable (Note 4)	42,838	42,228	71	85,137	—
Other long-term assets	—	—	1,345	1,345	—
Capital assets (Note 5):					
Land	—	—	800	800	—
Land improvements	—	—	3,830	3,830	95
Buildings/improvements	—	—	16,393	16,393	6,069
Equipment	—	—	9,960	9,960	279,295
Infrastructure	—	—	1,175	1,175	—
Construction work in progress	—	—	3,830	3,830	7,211
Intangible/right to use lease, net	—	—	5,431	5,431	8,565
Other capital assets	—	—	3,426	3,426	—
Less accumulated depreciation	—	—	(19,479)	(19,479)	(189,389)
Total capital assets	—	—	25,366	25,366	111,846
Total noncurrent assets	42,838	58,926	46,010	147,774	152,487
Total assets	528,644	74,513	240,674	843,831	476,122
DEFERRED OUTFLOWS OF RESOURCES (Note 4)					
	—	112	5,060	5,172	18,698

STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2022
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
LIABILITIES					
Current liabilities:					
Accounts payable (Note 4)	4,817	208	18,416	23,441	18,029
Lottery prizes payable	—	—	3,456	3,456	—
Interfund loans payable (Note 12)	—	—	20	20	664
Due to other governments	—	—	356	356	—
Due to other funds (Note 12)	—	—	24,127	24,127	1,752
Unearned revenue	—	—	2,350	2,350	865
Lease/financed purchase payable (Note 10)	—	—	359	359	2,500
Bonds/notes payable - net (Note 11)	—	—	—	—	334
Amounts held in custody for others	—	—	32	32	403
Securities lending liability (Note 3)	—	—	266	266	586
Estimated insurance claims (Note 8)	—	—	11,459	11,459	48,168
Compensated absences payable (Note 11)	—	38	1,031	1,069	4,259
Total current liabilities	4,817	246	61,872	66,935	77,560
Noncurrent liabilities:					
Lottery prizes payable	—	—	929	929	—
Advances from other funds (Note 12)	—	—	2,500	2,500	6,952
Lease/financed purchase payable (Note 10)	—	—	3,346	3,346	9,424
Bonds/notes payable - net (Note 11)	—	68,707	—	68,707	334
Estimated insurance claims (Note 8)	—	—	3,036	3,036	13,895
Compensated absences payable (Note 11)	—	32	1,208	1,240	4,104
Net pension liability (Note 6)	—	255	10,335	10,590	45,816
Total OPEB liability (Note 7)	—	36	1,994	2,030	7,286
Total noncurrent liabilities	—	69,030	23,348	92,378	87,811
Total liabilities	4,817	69,276	85,220	159,313	165,371
DEFERRED INFLOWS OF RESOURCES (Note 4)					
	—	124	5,963	6,087	23,080
NET POSITION					
Net investment in capital assets	—	—	21,284	21,284	91,206
Restricted for:					
Unemployment compensation	523,827	—	—	523,827	—
Other purposes	—	5,213	114,965	120,178	—
Unrestricted	—	12	18,302	18,314	215,163
Total net position	\$ 523,827	\$ 5,225	\$ 154,551	\$ 683,603	\$ 306,369

The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES -
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	INTERNAL SERVICE FUNDS
Operating revenues:					
Charges for services	\$ 163	\$ —	283,373	\$ 283,536	\$ 177,313
Investment earnings (losses)	6,725	18	(132)	6,611	(911)
Securities lending income	—	—	1	1	2
Financing income	—	1,127	—	1,127	—
Contributions/premiums	139,250	—	117,031	256,281	200,267
Grants/contracts/donations	9,911	—	50,962	60,873	4,659
Other operating revenues	—	—	7,920	7,920	158,332
Total operating revenues	156,049	1,145	459,155	616,349	539,662
Operating expenses:					
Personal services	—	327	16,519	16,846	66,001
Contractual services	—	13	30,866	30,879	46,759
Supplies/materials	—	2	122,596	122,598	25,384
Benefits/claims	59,902	—	162,623	222,525	213,803
Depreciation	—	—	1,088	1,088	14,130
Amortization	—	—	1,502	1,502	1,208
Utilities/rent	—	14	890	904	5,999
Communications	—	3	1,104	1,107	13,059
Travel	—	1	297	298	383
Repairs/maintenance	—	—	2,259	2,259	39,148
Grants	—	—	—	—	147
Lottery prize payments	—	—	78,520	78,520	—
Interest expense	—	434	68	502	402
Other operating expenses	2,248	59	9,604	11,911	6,267
Total operating expenses	62,150	853	427,936	490,939	432,690
Operating income (loss)	93,899	292	31,219	125,410	106,972
Nonoperating revenues (expenses):					
Tax revenues (Note 1)	—	—	40,064	40,064	—
Grant revenue	19,705	—	—	19,705	—
Insurance proceeds	—	—	—	—	694
Gain (loss) on sale of capital assets	—	—	(375)	(375)	279
Federal indirect cost recoveries	—	—	39	39	8,554
Increase (decrease) value of livestock	—	—	181	181	—
Total nonoperating revenues (expenses)	19,705	—	39,909	59,614	9,527
Income (loss) before contributions and transfers	113,604	292	71,128	185,024	116,499
Capital contributions	—	—	987	987	666
Transfers in (Note 12)	9,091	—	384	9,475	3,734
Transfers out (Note 12)	—	—	(78,805)	(78,805)	(36,519)
Change in net position	122,695	292	(6,306)	116,681	84,380
Total net position - July 1 - as previously reported	400,873	4,933	160,875	566,681	220,870
Adjustments to beginning net position (Note 2)	259	—	(18)	241	1,119
Total net position - July 1 - as adjusted	401,132	4,933	160,857	566,922	221,989
Total net position - June 30	\$ 523,827	\$ 5,225	\$ 154,551	\$ 683,603	\$ 306,369

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES - INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipt from sales and service	\$ 139,640	\$ —	\$ 399,077	\$ 538,717	\$ 374,652
Payments to suppliers for goods and services	—	(95)	(151,387)	(151,482)	(129,227)
Payments to employees	—	(400)	(17,106)	(17,506)	(67,821)
Grant receipts (expenses)	6,761	—	51,332	58,093	4,511
Cash payments for claims	(103,745)	—	(165,812)	(269,557)	(220,734)
Cash payments for prizes	—	—	(78,589)	(78,589)	—
Other operating revenues	—	—	9,291	9,291	166,887
Other operating payments	—	—	(10,810)	(10,810)	(6,265)
Net cash provided by (used for) operating activities	42,656	(495)	35,996	78,157	122,003
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Collection of taxes	—	—	40,064	40,064	—
Transfer to other funds	—	—	(76,237)	(76,237)	(36,519)
Transfer from other funds	9,091	—	384	9,475	3,734
Proceeds from interfund loans/advances	—	—	75	75	2,370
Payment of interfund loans and advances	—	—	(431)	(431)	(2,836)
Proceeds from bonds and notes	—	68,707	—	68,707	—
Payment of principal and interest on bonds and notes	—	(90,890)	1	(90,889)	(378)
Grant receipts and Federal indirect cost recoverable	19,705	—	39	19,744	—
Net cash provided by (used for) noncapital financing activities	28,796	(22,183)	(36,105)	(29,492)	(33,629)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from insurance	—	—	—	—	689
Payment of principal and interest - capital related	—	—	(457)	(457)	(3,758)
Acquisition of capital assets	—	—	(2,280)	(2,280)	(11,685)
Proceeds from sale of capital assets	—	—	48	48	791
Net cash provided by (used for) capital and related financing activities	—	—	(2,689)	(2,689)	(13,963)
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale (purchase) of investments	—	—	(183)	(183)	(6,881)
Proceeds (loss) on sales or maturities of investments	—	7,523	—	7,523	—
Proceeds (loss) from securities lending transactions/ investments	—	—	1	1	2
Interest and dividends on investments	6,725	17	1,084	7,826	1,552
Collections of principal and interest on loans	—	24,373	—	24,373	—
Cash payment for loans	—	(20,359)	—	(20,359)	—
Net cash provided by (used for) investing activities	6,725	11,554	902	19,181	(5,327)
Net increase (decrease) in cash and cash equivalents	78,177	(11,124)	(1,896)	65,157	69,084
Cash and cash equivalents, July 1	390,303	16,055	147,149	553,507	230,105
Cash and cash equivalents, June 30	\$ 468,480	\$ 4,931	\$ 145,253	\$ 618,664	\$ 299,189

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022
 (amounts expressed in thousands)

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
	UNEMPLOYMENT INSURANCE	MUNICIPAL FINANCE PROGRAMS	NONMAJOR	TOTAL	
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 93,899	\$ 292	\$ 31,219	\$ 125,410	\$ 106,972
Adjustments to reconcile operating income to net cash provided for (used for) operating activities:					
Depreciation	—	—	1,088	1,088	14,130
Amortization	—	—	1,502	1,502	1,208
Investment earnings	(6,725)	(18)	132	(6,611)	911
Securities lending income	—	—	(1)	(1)	(2)
Financing income	—	(1,127)	—	(1,127)	—
Interest expense	—	434	68	502	402
Other revenue	(3,346)	—	—	(3,346)	8,554
Change in assets, deferred outflows, liabilities and deferred inflows:					
Decr (Incr) in accounts receivable	764	—	(1,532)	(768)	(2,394)
Decr (Incr) in due from other funds	—	—	(79)	(79)	(362)
Decr (Incr) in due from other governments	198	—	365	563	(173)
Decr (Incr) in inventories	—	—	315	315	(1,507)
Decr (Incr) in other assets	—	—	(16)	(16)	74
Incr (Decr) in accounts payable	(42,135)	(1)	(238)	(42,374)	2,992
Incr (Decr) in due to other funds	—	—	7,281	7,281	(15)
Incr (Decr) in lottery prizes payable	—	—	(73)	(73)	—
Incr (Decr) in unearned revenue	—	—	(207)	(207)	(206)
Incr (Decr) in amounts held in custody for others	—	—	—	—	(45)
Incr (Decr) in compensated absences payable	—	(15)	23	8	(580)
Incr (Decr) in total OPEB liability and related accounts	—	5	(317)	(312)	(1,220)
Incr (Decr) in estimated claims	—	—	(3,188)	(3,188)	(7,176)
Incr (Decr) in other payables	—	(6)	1	(5)	521
Incr (Decr) in net pension liability and related accounts	—	(59)	(347)	(406)	(81)
Net cash provided by (used for) operating activities	\$ 42,655	\$ (495)	\$ 35,996	\$ 78,156	\$ 122,003
Schedule of noncash transactions:					
Capital asset acquisitions from contributed capital	\$ —	\$ —	\$ 988	\$ 988	\$ 666
Incr (Decr) in fair value of investments	—	(1)	1,315	1,314	2,734
Total noncash transactions	\$ —	\$ (1)	\$ 2,303	\$ 2,302	\$ 3,400

The notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**

JUNE 30, 2022

(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ASSETS				
Cash/cash equivalents (Note 3)	\$ 169,640	\$ 31,998	\$ 1,810,291	\$ 8,956
Receivables (net):				
Accounts receivable	27,912	—	—	1,282
Interest	164	—	1,816	2
Due from primary government	37,558	—	—	—
Due from other PERB plans	848	—	—	—
Long-term loans/notes receivable	6	—	—	—
Total receivables	66,488	—	1,816	1,284
Investments at fair value:				
Equity in pooled investments (Note 3)	13,351,527	—	12,258	—
Other investments (Note 3)	941,838	187,772	—	—
Total investments	14,293,365	187,772	12,258	—
Securities lending collateral (Note 3)	138,139	—	187	—
Capital Assets:				
Buildings/improvements	315	—	—	—
Equipment	133	—	—	—
Accumulated depreciation	(222)	—	—	—
Right to use lease buildings	7,660	—	—	—
Accumulated amortization	(510)	—	—	—
Intangible assets	2,924	—	—	—
Total capital assets	10,300	—	—	—
Other assets	—	7,007	—	1,786
Total assets	14,677,932	226,777	1,824,552	12,026
DEFERRED OUTFLOWS OF RESOURCES	1,014	—	—	—
LIABILITIES				
Accounts payable	1,774	9	1,765	286
Due to other governments	—	—	—	670
Due to other PERB plans	848	—	—	—
Unearned revenue	71	—	—	—
Securities lending liability (Note 3)	138,139	—	187	—
Compensated absences payable	743	—	—	—
Due to primary government - leases (Note 10)	7,309	—	—	—
Net pension liability (Note 6)	1,417	—	—	—
Total OPEB liability (Note 7)	667	—	—	—
Total liabilities	150,968	9	1,952	956
DEFERRED INFLOWS OF RESOURCES	893	—	—	—
NET POSITION				
Restricted for:				
Pensions	13,938,182	—	—	—
Postemployment benefits other than pensions	588,903	—	—	—
Pool participants	—	—	1,822,600	—
Individuals, organizations, and other governments	—	226,768	—	11,070
Total net position	\$ 14,527,085	\$ 226,768	\$ 1,822,600	\$ 11,070

The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022
(amounts expressed in thousands)

	PENSION (AND OTHER EMPLOYEE BENEFIT) TRUST FUNDS	PRIVATE PURPOSE TRUST FUNDS	INVESTMENT TRUST FUNDS	CUSTODIAL FUNDS
ADDITIONS				
Contributions/premiums:				
Employer	\$ 295,242	\$ —	\$ —	\$ —
Employee	274,784	—	—	—
Other contributions	128,854	23,094	1,267,661	—
Investment earnings:				
Net increase (decrease) in fair value of investments	(695,977)	(25,522)	(3,583)	(3)
Interest, dividends, and other	38,617	—	6,045	5
Securities lending income	1,453	—	1	—
Total investment earnings	(655,907)	(25,522)	2,463	2
Less investment costs:				
Administrative investment expense	98,765	—	—	—
Securities lending expense	318	—	—	—
Net investment earnings	(754,990)	(25,522)	2,463	2
Charges for services	615	—	—	—
Other additions and miscellaneous	1,723	8,707	—	42,392
Total additions	(53,772)	6,279	1,270,124	42,394
DEDUCTIONS				
Benefits	1,107,093	—	—	—
Refunds	33,342	—	—	—
Distributions	—	31,492	1,315,064	40,418
Administrative expenses	13,200	795	—	—
Local assistance	12	—	—	—
Transfers to MUS-RP	231	—	—	—
Transfers to PERS-DCRP	2,385	—	—	—
Total deductions	1,156,263	32,287	1,315,064	40,418
Change in net position	(1,210,035)	(26,008)	(44,940)	1,976
Net position - July 1 - as previously reported	15,737,126	275,533	1,867,540	9,094
Adjustments to beginning net position (Note 2)	(6)	(22,757)	—	—
Net position - July 1 - as adjusted	15,737,120	252,776	1,867,540	9,094
Net position - June 30	\$ 14,527,085	\$ 226,768	\$ 1,822,600	\$ 11,070

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements for the State of Montana (State) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

For financial reporting purposes, the State includes funds that comprise the primary government and its component units. The component units are entities that the State is financially accountable for, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body, and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the State.

Discretely Presented Component Units

These component units are entities that are legally separate from the State because they possess corporate powers, but are financially accountable to the State, or whose relationships with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The condensed financial statements, presented in Note 18, include the financial data of the entities listed below.

Complete financial statements for each of the individual discretely presented component units, which are separately issued and audited, may be obtained at the following addresses:

Montana Board of Housing
301 South Park, Room 240
PO Box 200528
Helena, MT 59620-0528

Montana State Fund
855 Front Street
PO Box 4759
Helena, MT 59604-4759

Facility Finance Authority
2401 Colonial Drive, 3rd Floor
PO Box 200506
Helena, MT 59620-0506

Universities and Colleges
Commissioner of Higher Education
560 North Park Ave, 4th Floor
PO Box 203201
Helena, MT 59620-3201

Montana Reinsurance Association
Montana Commissioner of Securities and Insurance
840 Helena Avenue
Helena, MT 59601

Montana Board of Housing (MBOH) – MBOH, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of MBOH. The board was created in 1975 to facilitate the availability of safe and affordable housing to persons and families of lower-income. MBOH issues negotiable notes and bonds to fulfill its purposes. The total amount of notes and bonds outstanding at any time may not exceed \$1.5 billion. The discount price of bonds sold, not the face amount of the bonds, counts against this statutory ceiling. Neither the faith and credit nor taxing power of the State of Montana may be pledged for the amounts so issued. MBOH is attached to the Department of Commerce for administrative purposes only. MBOH is audited annually by the State's Legislative Audit Division.

Facility Finance Authority (FFA) – FFA, which is a legally separate entity, is governed by a quasi-judicial board appointed by the Governor with the advice and consent of the Senate. The State of Montana has the ability to modify or approve: the budget, the rate or fee changes affecting revenues, and the ability to appoint, hire, reassign, or dismiss those responsible for the day-to-day operations of FFA. FFA assists eligible, nonprofit Montana health care and other community-based service providers to obtain and maintain access to the broadest range of low-cost capital financing as possible. FFA issues revenue bonds to fulfill its purposes. Neither the faith and credit or taxing power of the State of Montana may be pledged for the amounts so issued. FFA is also the administrator for Montana's Commercial Property Assessed Capital Enhancement Program (C-PACE) which provides Montana businesses with access to private capital to finance energy and water efficiency and renewable energy improvements. FFA is attached to the Department of Commerce for administrative purposes only. Individual financial reports are issued every two years and are audited by the State's Legislative Audit Division.

Montana State Fund (MSF) – MSF is a nonprofit, independent public corporation established under Title 39, Chapter 71 of the Montana Code Annotated (MCA). MSF provides Montana employers with an option for workers' compensation and occupational disease insurance and guarantees available coverage for all employers in Montana. MSF is governed by a seven-member Board of Directors appointed by the Governor with the advice and consent of the Senate. This Board has full power, authority, and jurisdiction in the administration of MSF. MSF's results are included in the State's Annual Comprehensive Financial Report because of the significance of MSF's financial relationship with the State. MSF's board is allocated to the Department of Administration for administrative purposes only. MSF is reported on a calendar year basis and is audited annually by the State's Legislative Audit Division and is also regulated by the Montana State Auditor's Office as an authorized insurer that is subject to the provisions of Title 33, Montana Insurance Code.

MSF functions as an autonomous insurance entity supported solely from its own revenues. All assets, debts, and obligations of MSF are separate and distinct from assets, debts, and obligations of the State of Montana. If MSF is dissolved by an act of law, the assets held by MSF are subject to the disposition provided by the Legislature enacting the dissolution with due regard given to obligations incurred and existing (Section 39-71-2322, MCA).

MSF administers the claims of Montana State Fund and State of Montana (Old Fund), including determining who a claimant is; what, if any, claims will be paid; and the amount of claims allowed to be paid. Old Fund covers workers' compensation claims that were incurred before July 1, 1990, and is reported within the governmental activities of the primary government, on the government-wide financial statements.

Universities and Colleges – The Montana Constitution, Article X, Section 9, grants governance authority over the Montana University System (MUS) to the Board of Regents (Board), with seven members appointed by the Governor and confirmed by the Senate. All state funds appropriated by the Legislature to the Board for the support of the MUS are channeled through the Office of the Commissioner of Higher Education (OCHE). The Constitution charges the Board with hiring a Commissioner of Higher Education who serves as its executive staff. OCHE is the state-level administrative organization of the MUS.

The Board has responsibility for the following institutions: Montana State University - Bozeman and the units under it including Montana State University - Billings, Montana State University - Northern, and Great Falls College Montana State University; and University of Montana - Missoula and the units under it including Montana Technological University, University of Montana - Western, and Helena College University of Montana. All units are funded through state appropriations, tuition, federal grants, and private donations and grants. The universities are audited annually by the State's Legislative Audit Division.

Though the following organizations perform functions related to the MUS, they are not considered part of Montana's reporting entity: (1) Community Colleges which are considered part of local units of government; (2) the Montana Higher Education Student Assistance Corporation, a private nonprofit

corporation; and (3) the Student Assistance Foundation of Montana, a private nonprofit corporation. Entities such as local school districts and local authorities of various kinds are considered part of local units of government and have not been included. The state and federal support of local public education systems is reported in the General Fund, the State Special Revenue Fund, and the Federal Special Revenue Fund.

Montana Reinsurance Association (MRA) – In April 2019, the State of Montana enacted the Montana Reinsurance Association Act (Act) establishing MRA as a nonprofit, legal entity and creating a reinsurance program to stabilize the individual health insurance market. The Act authorized the State to apply for a State Innovation Waiver under Section 1332 of the Patient Protection and Affordable Care Act (ACA). The Act is established under Title 33, Chapter 22, Part 13 of the Montana Code Annotated (MCA).

On June 19, 2019, the State applied for an Innovation Waiver under Section 1332 seeking to implement a reinsurance program. On August 16, 2019, the United States Departments of Health and Human Services and Treasury approved Montana's State Innovation Waiver, effective from January 1, 2020, through December 31, 2024.

The Reinsurance Program is funded through federal pass-through funding (awarded on an annual basis) and annual association member assessments (1.2% of a member insurer's total premium volume covering Montana residents from the prior calendar year, as defined in Section 33-22-1313, MCA).

MRA is governed by a five-member board consisting of three directors, one each from the eligible health insurers with the largest enrollment in the individual market, one insurer director appointed by the Commissioner of Insurance, and one director appointed by the Governor.

MRA's financial results are included in the State's Annual Comprehensive Financial Report because of the significance of MRA's financial relationship with the State. The Commissioner of Insurance is responsible for overseeing the activities of the MRA and the board. MRA reports on a calendar year basis, must be audited by an independent certified public accountant annually, and may be audited by the State's Legislative Audit Division.

Fiduciary Fund Component Units

Complete financial statements for each of the individual fiduciary fund component units may be obtained at the following addresses:

Teachers' Retirement System
100 North Park Avenue, Suite 110
PO Box 200139
Helena, MT 59620-0139

Public Employees' Retirement Board
100 North Park Avenue, Suite 200
PO Box 200131
Helena, MT 59620-0131

Teachers' Retirement System (Pension Trust Fund) – This retirement plan is a legally separate entity with a board appointed by the Governor. Its purpose is to provide retirement, disability, death, and lump-sum payments to benefit recipients of Montana's public teaching profession. The plan is funded from employer and employee contributions, investment earnings, and the State's General Fund. The benefit payments and administrative costs of the Teachers' Retirement System are paid from the same funding sources. The system is audited annually by the State's Legislative Audit Division. Further detail related to the Teachers' Retirement System is provided in Note 6.

Public Employees' Retirement Board (Pension and Other Employee Benefit Trust Funds) – The Public Employees' Retirement Board (PERB) is appointed by the Governor and administers nine retirement plans for the purpose of providing retirement, disability, death, and lump-sum payments to plan members. These legally separate plans include the Public Employees' Retirement Plan – Defined Benefit and Defined Contribution and the associated education funds; the Judges'; the Highway Patrol Officers'; the Sheriffs'; the Game Wardens' and Peace Officers'; the Municipal Police Officers'; the Firefighters' Unified Retirement Systems; and the Volunteer Firefighters' Compensation Act retirement plans. The board also administers one Other Post-Employment Benefit (PERS-DCRP Disability OPEB) disability plan on behalf

of Public Employees' Retirement Plan-Defined Contribution members, and one other employee benefit plan (457(b) Plan). The board is audited annually by the State's Legislative Audit Division. Further detail related to PERB is provided in Note 6 and its OPEB plan information in Section F of Note 7.

B. Government-wide and Fund Financial Statements

The government-wide financial statements, Statement of Net Position and Statement of Activities, report information on all of the non-fiduciary activities of the State of Montana and its component units. For the most part, the impact of interfund activity has been removed from these statements. Governmental activities, which are normally supported by fees, taxes, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the State of Montana is reported separately from certain legally separate component units for which the State is financially accountable.

The Statement of Activities demonstrates the degree to which program revenues offset the direct expenses of a function. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expense reported for the individual functions and activities. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues. The State does not allocate indirect expenses to functions in the Statement of Activities.

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Fiduciary fund statements are reported only in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are reported when earned; expenses are recorded when a liability is incurred regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements imposed by the provider are met.

As a general rule, material interfund revenues and expenses have been eliminated from the government-wide financial statements. These have not been eliminated where their elimination would distort the direct costs and program revenues of the functions involved.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are realizable, measurable, earned, and available. Revenue is considered realizable when it is probable the amount will be collected. Revenue is considered measurable and realizable if the precise amount is known because the transaction is completed, or if there is enough information to provide a reasonable estimate of the net realizable revenue to be received. Revenue is considered to have been earned when the exchange of goods or services has taken place. Revenue is considered to be available if it is collectible within the current period or soon enough thereafter, to pay liabilities of the current period. For this purpose, the State considers revenue available if it is expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures relating to compensated absences, claims, and judgments are recorded only when payment is due.

The major revenue sources considered susceptible to accrual are licenses and permits, natural resource taxes, individual income taxes, corporate income taxes, property taxes, fuel taxes, and certain federal revenues (reimbursable grants and U.S. mineral royalties). All other revenue is considered to be measurable and available when the cash is received.

Fund Financial Statements

The State uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

The financial activities of the State of Montana are classified into fund categories as described below:

Governmental Funds

General Fund – To account for all governmental financial resources, except those required to be accounted for in another fund.

Special Revenue Funds – To account for the proceeds of specific revenue sources restricted to expenditure for specified purposes other than major capital projects. (1) The State Special Revenue Fund accounts for activities funded from state resources used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Several funds are defined in statute as Permanent Funds, however per GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), these funds should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a \$94.6 million increase. One specific fund is defined in statute as a Federal Special Revenue Fund; however, per GASB 54, this fund should be reported within the State Special Revenue Fund. The respective effect on fund balance is approximately a \$27.1 million increase. (2) The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

Debt Service Funds – To account for resources accumulated for payment of principal and interest on general long-term obligation debt.

Capital Projects Funds – To account for resources used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Permanent Funds – To account for resources that are permanently restricted to the extent that only earnings, not principal, may be used to support the government's programs. Several funds are defined in statute as Permanent Funds, however per GASB 54 these funds should be reported within the State Special Revenue Fund as noted above.

Proprietary Funds

Enterprise Funds – To account for operations: (1) financed and operated similar to private business enterprises, where the intent of the Legislature is to finance or recover costs primarily through user charges; (2) where the Legislature has decided periodic determination of revenue earned, expenses incurred, or net income is appropriate; (3) where the activity is financed solely by a pledge of the net revenues from fees and charges of the activity; or (4) when laws or regulations require that the activities' costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues. The primary focus of fee revenues charged by enterprise funds is users outside of the primary government. One specific fund is defined in statute as an Enterprise Fund, however, per GASB 34, this fund should be reported within Internal Service Funds. The respective effect on net position is approximately a \$6.0 million increase.

Internal Service Funds – To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

The State of Montana reports two employee group benefits funds. The MUS Group Insurance Fund primarily charges its fees to Montana State University and the University of Montana. The universities are reported as discretely presented component units, which the State considers to be external users, and as such, reports the MUS Group Insurance Fund as an enterprise fund. The Employee Group Benefits Fund charges its fees to funds of the primary government, and as such, is reported as an internal service fund.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, or other governments. These assets cannot be used to support the government's own programs.

Pension (and Other Employee Benefit) Trust Funds – To account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit retirement plans, defined contribution retirement plans, other employee benefit plans, and other post-employment benefit plan. Plan members receive retirement, disability, death, and lump-sum payments from the fund. Further detail related to the individual plans is provided in Note 6 and Section F of Note 7.

Private-Purpose Trust Funds – To account for assets held by the State in a trustee capacity, where both the principal and earnings benefit individuals, private organizations, or other governments. For example, unliquidated security bonds held on deposit from self-insured employers.

Investment Trust Fund – To account for the receipt of monies and the distribution of related investment earnings to local government agencies by the Montana Board of Investments for investment in the Short Term Investment Pool (STIP) and Trust Fund Investment Pool (TFIP).

Custodial Funds – To account for transactions related to assets held by the State as an agent for individuals, private organizations, and other governments. For example, monies belonging to one parent submitted by another, as is the case with child support payments.

Major Governmental Funds

The General Fund is the State's primary operating fund, as previously defined.

The State Special Revenue Fund accounts for activities funded from state sources, which are restricted either legally or administratively for particular costs of an agency, program, or function.

The Federal Special Revenue Fund accounts for activities funded from federal sources used in the operation of state government.

The Coal Severance Tax Fund, created by Article IX, Section 5 of the Montana State Constitution, receives 50% of all coal tax collections. The principal in this fund can be expended only upon an affirmative vote of three-fourths of each house of the Legislature.

The Land Grant Permanent Fund accounts for lands granted to the State for support of public schools and state institutions.

Major Enterprise Funds

The Unemployment Insurance Fund accounts for employer contributions deposited with the Secretary of the Treasury of the United States to the credit of the State's unemployment trust fund. Unemployment benefits are paid from this fund to eligible recipients. Due to unprecedented claim costs during the pandemic, additional federal contributions were made in fiscal year 2022 to help keep employer unemployment insurance contribution rates stable.

The Board of Investments (BOI) Municipal Finance Programs Fund accounts for the programs created under the Municipal Finance Consolidation Act (MFCA) and the Economic Development Act. Primarily, this involves a MFCA revolving loan program that provides variable low interest rate loans to eligible Montana State agencies, universities, and local governments for a variety of projects statutorily defined.

The funding for the revolving loan program is from the issuance of put bonds. The MFCA program also provides local government entities access to tax-exempt funds through the issuance of conduit (no-commitment) debt. Separately issued financial statements may be obtained by contacting the Montana Board of Investments, 2401 Colonial Drive, 3rd Floor, PO Box 200126, Helena, MT 59620-0126.

D. Proprietary Activity Accounting and Financial Reporting

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating.

E. Cash/Cash Equivalents

For all funds, cash and cash equivalents consist of amounts deposited in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in the Short Term Investment Pool (STIP), cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents, which are short-term, highly liquid investments with original maturities of three months or less. Further detail related to cash and cash equivalents is provided in Note 3.

F. Receivables

This classification, net of estimated uncollectibles, consists primarily of receivables for goods sold and services provided; short-term loans and notes; interest and dividends; taxes due within 60 days of fiscal year-end; and income, withholding, and inheritance taxes that are past due. An allowance for uncollectible taxes is provided based upon historical analysis. Further detail related to receivables is provided in Note 4.

G. Inventories

Inventories of materials and supplies are reported at cost. The State allows agencies to use any generally accepted inventory pricing method but specifies the first-in, first-out method generally to be appropriate for most agencies. Governmental funds use the "purchase method," meaning inventory purchases are recorded as expenditures. At fiscal year-end, inventory balances are shown as nonspendable, indicating they do not constitute available expendable resources. Proprietary and fiduciary funds report using the "consumption method," meaning inventories are expensed as used.

H. Equity in Pooled Investments

To account for equity in pooled investments, BOI uses one internal investment pool and one external investment pool. The internal investment pool is the Consolidated Asset Pension Pool (CAPP). The State's nine defined benefit pension trust funds are the only participants in CAPP. The external investment pool is the Trust Funds Investment Pool (TFIP). State agencies and qualifying local governments can participate in TFIP. Current State agency TFIP participation is within the enterprise funds, internal service funds, permanent funds, investment trust funds, Montana University System Units, and specific accounts established within the State and Federal Special Revenue Funds. The participant investments in the pools are reported at fair value in the assets within the individual funds. Further detail related to cash and cash equivalents and investments is provided in Note 3.

I. Investments

For agencies whose investment needs are not met by BOI's established investment pools, BOI provides separate investments, which are combined and reported as Separately Managed Accounts (SMA). SMA participants have direct fixed income, equity, and Montana mortgage and loan investments. SMA investments are reported at fair value. Certain securities including asset-backed securities, variable-rate instruments, zero-coupon bonds, preferred stocks, and mortgage-backed securities are purchased for

portfolio diversification and a competitive rate of return. Other State agencies, on a limited basis by statute, may administer other long-term investments. Most investments are reported at fair value on the Statement of Net Position. Further detail related to investments is provided in Note 3.

J. Capital Assets

Capital asset valuation is based on actual historical cost or, in the case of donations, acquisition value. General government infrastructure capital assets are capitalized and reported on the government-wide financial statements. Interest incurred during the construction of capital assets is expensed. Infrastructure assets of proprietary funds are capitalized on the fund financial statements. The State has chosen to use the depreciation approach for infrastructure assets. The State reports accumulated depreciation on the Statement of Net Position and depreciation expense on the Statement of Activities for these assets. Further detail relating to capital assets is provided in Note 5.

Capital assets in proprietary, private-purpose trust, and pension trust funds are accounted for within their respective funds and are depreciated or amortized on their fund financial statements. Capital assets in governmental funds are accounted for in the governmental activities of the government-wide financial statements, as are the associated depreciation and amortization. Depreciation is on a straight-line basis, with estimated useful lives of 25 to 60 years for buildings, 10 to 50 years for infrastructure, 7 to 20 years for building improvements, and 3 to 10 years for equipment. State agencies are also required to extend or shorten the useful lives of capital assets to reflect their actual experience or industry standards when appropriate. Amortization is on a straight-line basis with estimated useful lives of 4 years for software (internally and externally generated), 30 years for land use rights, and 20 years for other intangibles.

The capitalization limit for buildings and building/land improvements is \$25.0 thousand. The capitalization threshold for infrastructure and internally-generated software is \$500.0 thousand. The capitalization threshold for intangible and right-to-use lease assets is \$100.0 thousand. The capitalization limit for other capital assets is \$5.0 thousand. Agencies are allowed to capitalize additions to collections and land acquisitions at any cost. Purchases below these thresholds are recorded as expenditures/expenses in the current period.

K. Deferred Outflows, Deferred Inflows, and Unearned Revenue

A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows and inflows of resources may include financial transactions related to refunding debt, non-exchange transactions, derivative investments, and OPEB, and pension related components; and are reported on the government-wide, proprietary fund, and fiduciary fund financial statements. Additionally, deferred inflows of resources may include financial transactions related to unavailable revenue on the governmental fund financial statements. Unavailable revenue is reported when assets are recognized, but those assets are not considered available to pay liabilities of the current period. Unearned revenue, which is neither a deferred outflow of resources nor a deferred inflow of resources; is recognized as a liability on government-wide, governmental, and proprietary fund financial statements. Further detail related to deferred outflows of resources and deferred inflows of resources is provided in Note 4.

L. Long-term Obligations

Long-term obligations expected to be financed from governmental funds are reported on the government-wide financial statements. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from current expendable available financial resources is reported as a fund liability of a governmental fund on the fund financial statements. The remaining portion of such obligations is reported on the government-wide financial statements. Long-term liabilities expected to be financed from proprietary and fiduciary fund operations

are accounted for in those funds. Further detail related to leases/financed purchases payable and long-term liabilities is provided in Note 10 and Note 11, respectively.

M. GASB 87 Leases

According to GASB Statement No. 87 *Leases* (GASB 87), a lease is a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

For the State as lessee at the commencement of the lease term, on the government-wide, proprietary fund, and fiduciary fund financial statements, a lease liability is recorded at the present value of payments expected during the lease term; and an intangible right-to-use lease asset is recorded at the sum of the lease liability, certain direct costs, and lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term.

The intangible right-to-use lease asset is amortized on a straight-line basis over the shorter of the asset useful life or the lease term, unless a purchase option is reasonably certain to be exercise. In such cases, amortization will be straight-line for the asset's useful life; however, if the underlying asset is nondepreciable, no amortization will be recorded. On the governmental fund financial statements, no intangible right-to-use lease asset or lease liability is recorded. Governmental funds instead record capital outlay expenditures and other financing sources, at the commencement of a lease, at net present value of the expected payments during the lease term. If the undiscounted value of payments plus certain direct costs and lease payments made to the lessor at or before the commencement of the lease term are less than \$100.0 thousand, lease accounting is not required and payments are treated as outflows of resources.

The State uses an estimated incremental borrowing rate as the discount rate for leases unless the rate is explicitly stated in the contract or known. The incremental borrowing rate is the rate for the Montana Board of Investments INTERCAP loan program in effect on July 1 of the fiscal year the lease commences. Many lease contracts include increases to rent payments related to the consumer price index (CPI) or similar indices, and the available index increase is included in the present value at the commencement of the lease or upon remeasurement.

For the State as lessor at the commencement of the lease term, on the government-wide and fund financial statements, a lease receivable is recorded at the present value of lease payments expected to be received during the lease term; and a deferred inflow of resources is recorded at the sum of the value of the lease receivable and any payments received at or before the commencement of the lease term that relate to future periods. If the undiscounted value of payments that may be received from the lessee are less than \$100.0 thousand, lease accounting is not required and payments are treated as inflows of resources.

Payments based on future performance are not included in the measurement of the lease liability or lease receivable but recognized as revenue or expense in the period performed. Residual value guarantees and exercise options will be included in the measurement if they are reasonably certain to be paid or exercised. Further detail related to GASB 87 leases is provided in Note 10.

N. Non-GASB 87 Leases

According to GASB 87, the statement does not apply to leases of intangible assets, leases of biological assets, contracts that meet the definition of a service concession arrangement (GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements* (GASB 60)), leases defined as short-term leases (under a year), leases that are under the threshold for GASB 87 recognition (see M), and transfer of ownership contracts. In addition to those exclusions, for leases when the State is a lessor, GASB 87 lease recognition and measurement provisions do not apply to certain regulated leases or when the underlying asset of the lease meets the requirements in GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72) to be reported as an investment measured at fair value. For the State as both a lessee and lessor, short-term lease payments and those under the threshold identified in M. above, are recognized as payments of outflows of resources or receipts of inflows of resources.

O. Financed Purchases

A financed purchase is a contract that transfers ownership of an underlying asset to the purchaser by the end of the contract and does not contain termination options. Provisions that end a contract for the following reasons are not considered termination options: Payment of all sums due, Default on payments, or a fiscal funding or cancellation clause that is not reasonably certain of being exercised. If the contract does contain a termination option, it should be considered a lease and should be accounted for in accordance with the State's lease policies. The threshold for recording a financed purchase is the threshold for recording the asset type associated with a financed purchase. Further detail related to financed purchases is provided in Note 10.

P. Bond Discounts/Premiums/Issuance Costs

Bond premiums and discounts, as well as issuance costs, are recognized in the period they are incurred. Bond issued and bond premiums are reported as other financing sources, and bond discounts are reported as an other financing use. Issuance costs are reported as debt service expenditures whether or not they are withheld from the bond proceeds. Bonds payable are recorded net of any applicable premium or discount. Further detail related to long-term debt is provided in Note 11.

Q. Compensated Absences

Full-time state employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Teachers employed by the State do not receive vacation leave. Vacation leave may be accumulated and carried over from one year to the next. The carryover is limited to two times the maximum number of days earned annually. Sick leave is earned at the rate of 12 days per year with no limit on accumulation. Each contribution year, an employee may contribute a maximum of 80 hours of sick or annual leave to a nonrefundable sick leave pool. Excess annual leave that is being forfeited can also be contributed, with no maximum contribution. For fiscal year 2022, 1,406 sick leave hours, 169 annual leave hours, and 2,742 excess annual leave hours were contributed to the sick leave pool, and 3,531 hours were withdrawn, leaving a balance of 18,984 hours in the pool. The liability associated with the pool is not reported in the accompanying financial statements because these hours are nonrefundable to contributors, except by grants approved through an application process.

Vested or accumulated leave for proprietary and fiduciary funds is recorded as an expense and liability of those funds in the fund financial statements. For governmental funds, the liability is not expected to be liquidated with expendable financial resources. The expenditure and liability for the governmental funds is reported only on the government-wide financial statements. Upon retirement or termination, an employee is paid for 100% of unused vacation leave and 25% of unused sick leave. Further detail related to compensated absences is provided in Note 11.

R. Nonexchange Financial Guarantee

According to GASB Statement No. 70 *Accounting and Financial Reporting For Nonexchange Financial Guarantees* (GASB 70), governments may extend financial guarantees for the obligations of another government, a not-for profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction). As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Further detail related to nonexchange financial guarantees is provided in Note 11.

S. Fund Balance/Net Position

Fund Balance

The classifications for fund balance used for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is legally or contractually required to remain intact or is not in spendable form such as inventories, and, in

the General Fund, long-term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State Constitution or external parties, such as the federal government, or through enabling legislation. For the purpose of determining restricted amounts, enabling legislation does not include commitments resulting from State legislation if these constraints can be removed or changed by a similar legislative action.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the State's Legislature, through legislation passed into law.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes. Still they do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by the executive branch. In governmental funds other than the General Fund, assigned fund balance also represents the remaining amount that is not restricted or committed. The assigned fund balance for the General Fund are encumbrances and assignments for the portion of current General Fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in fiscal years as needed. The projected spend down for fiscal year 2023 is \$75.0 million; thus, a related assignment of fund balance is reported at 2022 fiscal year-end.

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by account (sub-fund) within the governmental funds other than the General Fund. When resources meeting more than one of these spendable classifications are commingled in an account on the State's accounting system, the assumed order of spending is restricted first, committed second, and finally assigned. State statute requires non-General Fund money be spent first whenever possible so any related available unassigned balance would be spent last.

General Fund - Fund Balance

As of June 30, 2022, the State maintains a Budget Stabilization Reserve Fund as required by statute. For financial reporting purposes, this fund is combined with the General Fund as it does not meet the GASB 54 requirements to be a special revenue fund as the Legislature prescribed. The June 30, 2022, committed fund balance in the General Fund of \$118.9 million, represents the Budget Stabilization Reserve Fund balance.

Additionally, statute provides a minimum fund balance amount as follows: Section 17-7-140, MCA, defines minimum ending fund balance and specifies the procedures that must be followed to make expenditure reductions or allow transfers from the Budget Stabilization Reserve Fund if a projected ending fund balance drops below minimum statutory requirements.

If the Budget Director determines that a deficit exists, statute requires reductions that must be made to assure that the projected ending fund balance complies with the minimum ending fund balance of General Fund appropriations for the biennium. Under circumstances when a deficit of this level is projected during a biennium, the Governor may direct reductions from any General Fund expenditure not exempted by Section 17-7-140, MCA, including House Bill (HB) 2 (the State's main appropriation bill), any other appropriation bills, statutory appropriations, or language appropriations. Reductions may not exceed 10% of General Fund appropriations for any single "program," as defined in HB 2. If a program has more than one appropriation, the reduction for one or more of the appropriations may exceed 10% as long as the reduction for the program as a whole does not exceed 10%.

The Legislative and Judicial branches, the Montana School for the Deaf and Blind, principal and interest on State debt, salaries of elected officials, and public school BASE funding are exempt, statutorily, from reductions. These exemptions shield approximately one-third of General Fund appropriations from reduction. Of the remaining expenditures, the Governor may not direct executive agencies headed by elected officials or the Board of Regents to reduce their expenditures by more than the average reduction percentage imposed upon all other executive branch agencies.

Net Position

In funds other than governmental, net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net investment in the capital assets portion of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The government-wide Statement of Net Position reported restricted net position of \$4.2 billion.

Net position associated with the Unemployment Insurance Fund is classified as restricted. The majority of the restricted net position for other purposes business-type activities amounting to \$120.2 million is made up of \$86.0 million from MUS Group Insurance Fund and \$13.1 million from MUS Workers Compensation Fund. Certain investments of the Municipal Finance Programs Fund are also classified as restricted net position for other purposes as business-type activities and on the Statement of Fund Net Position for proprietary funds because applicable bond indenture agreements limit their use.

T. Property and Income Taxes

Real property taxes are normally levied in October and are usually payable in two installments on November 30 and May 31. These taxes attach as an enforceable lien immediately if not paid when due.

Personal property tax levies are set each August, and notices are normally mailed the following March or April. Half of mobile home taxes are due in 30 days and the remaining half on September 30. Taxes on all other types of personal property are to be paid in full 30 days after receipt of the notice. Property tax payments are recognized as deferred inflows of resources if received prior to levy or availability.

Personal property taxes attach as an enforceable lien immediately if not paid when due. Each of Montana's 56 counties collect property taxes. The counties then remit the State's portion to the State Treasury. The majority of these taxes help fund public school systems and higher education.

U. Other Taxes

On the Statement of Activities, the revenue category “Other Taxes” consists of the following taxes (in thousands):

	General Fund	State Special Revenue	Other Governmental Funds	Business-Type Funds	Total
Accommodations	\$ 45,139	\$ 63,214	\$ 11,889	\$ 34	\$ 120,276
Agriculture	—	8,102	—	—	8,102
Cannabis tax (medical/recreational) ⁽¹⁾	—	24,706	—	—	24,706
Car rental	6,934	2,311	—	—	9,245
Cigarette/tobacco	33,593	42,139	1,614	—	77,346
Contractors gross receipts	2,837	—	—	—	2,837
Energy tax	7,315	—	—	—	7,315
Fire protection	—	4,281	—	—	4,281
Insurance premium	97,898	53,600	—	—	151,498
Light vehicle registration	—	6,524	—	—	6,524
Liquor tax	5,774	2,352	—	40,030	48,156
Livestock	—	5,048	—	—	5,048
Other taxes	153	1,199	—	—	1,352
Public service commission	—	4,223	—	—	4,223
Railroad car companies	3,628	—	—	—	3,628
Telephone license	8,778	—	—	—	8,778
Video gaming	77,881	6	—	—	77,887
Total other taxes	\$ 289,930	\$ 217,705	\$ 13,503	\$ 40,064	\$ 561,202

⁽¹⁾ Fiscal year 2022 was the first year for recreational cannabis sales. In fiscal year 2021 medical cannabis was included with cigarette/tobacco etc.

V. Tax Abatement

In the Montana Board of Investment’s (BOI) Commercial Loan Program, within the Separately Managed Account, the infrastructure loan program is funded by an \$80.0 million allocation. Eligible local governments request a loan for constructing or purchasing infrastructure to be used by a basic sector business. The basic sector business will pay a user fee to the local government that is pledged to BOI for the loan repayment. BOI reviews each loan, and only upon verification that the entities meet the loan requirements is the loan approved by BOI. The local government entity must pass a resolution authorizing the acceptance of the commitment agreement. BOI indemnifies the local government regarding repayment of the loan.

To be eligible for the program, the basic sector business must create at least 15 full-time basic sector jobs. The maximum loan size is \$16.7 thousand multiplied by the number of full-time jobs created with a minimum loan size of \$250.0 thousand. The maximum loan term is 25 years. There is also up to a 2.5% interest rate reduction for job creation. The reduction will be reflected in the user fee rate charged to the basic sector business upon BOI review and approval. The basic sector business must create the required jobs within four years of the agreement. If the basic sector business does not create the required jobs within the four-year period, then the basic sector business must pay down the loan balance of the local government entity until the loan balance matches the eligible amount per the jobs created. BOI may increase the interest rate commensurate with the number of jobs eliminated if the borrower eliminates qualifying jobs. The basic sector business must annually provide payroll documentation to BOI.

Pursuant to statute, a business that is created or expanded as the result of an Infrastructure Loan is entitled to a credit against either their State individual income taxes or corporate income taxes for the portion of the fees attributable to the use of the infrastructure. The total amount of tax credit claimed may

not exceed the amount of the loan. The credit may be carried forward for seven years or carried back for three years.

During the fiscal year ended June 30, 2022, basic sector business entities made total user fee payments of \$4.0 million, representing \$3.5 million of principal and \$0.5 million in interest. During the fiscal year ended June 30, 2022, a total of \$5.1 million was claimed as a credit against the State individual and corporation tax liability. The following table details the fiscal year 2022 credit claimed by tax type and the tax year it was applied against (in thousands):

Infrastructure Credit Claimed			
	Tax Year 2021	Tax Year 2020	Total
Corporate income tax	\$ —	\$ 399	\$ 399
Individual income tax	66	4,654	4,720
Total amount claimed	<u>\$ 66</u>	<u>\$ 5,053</u>	<u>\$ 5,119</u>

W. Irrevocable Split Interest Agreements

Irrevocable split-interest agreements are used by donors to provide resources to two or more beneficiaries, including governments. These agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements. The University of Montana campuses have three irrevocable split interest agreements during the fiscal year ended June 30, 2022. Further detail related to these agreements is provided in Note 3.

NOTE 2. OTHER ACCOUNTING CHANGES

A. New Accounting Guidance Implemented

For the year ended June 30, 2022, the State of Montana implemented the provisions of GASB Statement No. 87, *Leases* (GASB 87). This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

For the year ended June 30, 2022, the State of Montana implemented the provisions of GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89. This Statement requires that interest costs incurred before the end of a construction period be recognized as an expense or an expenditure in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus or the current financial measurement focus, respectively.

For the year ended June 30, 2022, the State of Montana early implemented provisions of GASB Statement No. 99, *Omnibus 2022* (GASB 99) related to GASB 87. This statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. The practice issues addressed by this statement include classification and reporting of financial guarantees and derivative instruments, extension of the use of LIBOR, accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures of non-monetary transactions, pledges of future revenues when resources are not received by the pledging government, clarification of provisions in GASB Statements No. 34 and 87, and terminology updates related to GASB Statements No. 53 and 63. The early implementation of GASB 99 in conjunction with GASB 87 is for purposes related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

B. Other Accounting Changes

In April 2019, the State of Montana enacted the Montana Reinsurance Association Act (Act) establishing Montana Reinsurance Association (MRA) as a nonprofit, legal entity. MRA is classified as a discretely presented component unit of the State of Montana. MRA reports on a calendar year basis. MRA's financial results are included in the State's Annual Comprehensive Financial Report beginning fiscal year 2022 because of the significance of MRA's financial relationship with the State. As a result of the change in reporting entity, a prior period adjustment of \$32.9 million was made to restate the beginning net position of MRA on both the Statement of Activities and the Condensed Statement of Activities. Further detail related to MRA and the financial impact of this change are provided in Note 1 and Note 18.

C. Adjustments to Beginning Net Position

Prior to the implementation of GASB 87, capital leases were recorded with as liabilities and tangible capital assets. For the implementation of GASB 87 these balances were reversed as adjustments to beginning net position and the lease agreements were then recorded in accordance with the State's GASB 87 policies. The cumulative effect of these adjustments for the Statement of Activities was an increase to beginning net position of \$542.1 thousand for Governmental Activities and \$10.6 thousand for Business-Type Activities. The cumulative effect of these adjustments for the Proprietary Funds Statement of Revenues, Expenses, and Changes in Fund Net Position was an increase to beginning net position of \$10.6 thousand for Enterprise Funds and \$65.8 thousand for Internal Service Funds. Other adjustments for either Governmental Activities or Business-Type Activities relating to corrections of errors from prior periods.

NOTE 3. CASH/CASH EQUIVALENTS AND INVESTMENTS

This note details the following asset classifications (in thousands):

Cash/cash equivalents	\$	8,394,793
Equity in pooled investments	\$	16,089,695
Investments	\$	3,586,624

Carrying amounts for the bank balance for cash deposits and fair values for the State's cash equivalents and investments are presented in Tables 1 through 4.

A. General

Outside of statutory requirements, the State does not maintain a statewide risk policy for cash/cash equivalents or investments held outside of the Montana Board of Investments (BOI). The investment risk policy for State cash/cash equivalents and investments managed by BOI, have been detailed below.

BOI was created by the Legislature to manage the Unified Investment Program (UIP) established by the State Constitution. The UIP is comprised of involuntary participating state funds, including pensions, trusts, insurance, operating funds, and by statute voluntarily participating local government funds. BOI manages the UIP pursuant to the "Prudent Expert Principle" mandated by State law, which requires an investment manager to:

1. discharge the duties with the care, skill, prudence, and diligence, under the circumstances then prevailing, that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims;
2. diversify the holdings of each fund within the UIP to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so; and
3. discharge the duties solely in the interest of and for the benefit of the funds forming the UIP.

BOI is not registered with the U.S. Securities and Exchange Commission as an investment company. BOI's investment program is governed by Investment Policy Statements (IPS) approved by BOI.

State agencies and local government entities may participate in one or more pools. By investing in pools, participants are provided broad diversification. State agencies may also have direct fixed income, equity, or loan investments. These investments are combined and reported as Separately Managed Accounts (SMA). Currently, only the nine retirement funds that participate in the Consolidated Asset Pension Pool (CAPP), the Defined Contribution Disability Plan, and the Montana State Fund (MSF) may invest in public corporate capital stock. Neither State law nor the State Constitution place restrictions on retirement fund investments. BOI approves a separate IPS for each pool and SMA participant, which provides BOI staff with a broad strategic framework under which the investments are managed. The IPS also reflects BOI approved asset allocation ranges.

By statute, local government entities can voluntarily invest in the Short Term Investment Pool (STIP). By statute, with a qualifying event, local government entities may also voluntarily invest in the Trust Funds Investment Pool (TFIP).

Separately issued investment pool financial statements may be obtained by contacting:

Montana Board of Investments
2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena, MT 59620-0126

BOI's separately issued UIP financial statements include the activity for MSF within SMA on a June 30, 2022, basis. MSF, a discretely presented component of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting periods, there will be

a variance between the note disclosures and the financial statements for cash/cash equivalents and investments.

(a) Cash and cash equivalents consist of funds deposited by individual funds in the State Treasurer's pooled cash account, cash deposits in checking accounts, cash invested in STIP, cash held by trustees, undeposited cash held by individual state agencies, and investments categorized as cash equivalents.

Cash deposited with the State Treasurer's pooled cash account is invested by BOI in short-term securities and other investments. Because these funds are immediately available to the individual funds, their investment in the pooled cash account is reported as a cash equivalent. BOI also manages STIP, which provides individual State agencies and local governments an opportunity to invest excess cash in a pool that is managed to preserve principal while providing 24-hour liquidity. Because these pooled funds are invested in short-term, highly liquid investments, the individual fund investments in the STIP are reported as a cash equivalent.

(b) Investment securities are reported by investment portfolio and type in Table 2 – Cash Equivalents, Table 3 – Equity in Pooled Investments, and Table 4 – Investments. Unrealized gains and losses are included as a component of investment income. Unrealized gains and losses are computed based on changes in the fair value of investments held from the beginning of the year, but unsold at the fiscal year-end. The net change in fair value of investments also consists of the realized gains or losses. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments reported at fair value are on a trade date basis. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. Alternative investment securities are valued using the most recent estimates of fair value from the investment managers. Fair value measurements are reviewed monthly, and third-party valuations are reviewed for reasonableness and compliance with approved price source authorization policy. BOI categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles as follows:

Level 1 – Quoted prices for identical assets or liabilities in active markets.

Level 2 – Prices are determined using inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. These inputs can include quoted prices for similar assets or liabilities in active or inactive markets, or market-corroborated inputs.

Level 3 – Prices are determined using unobservable inputs, which generally results in BOI using the best information available and may include BOI's own data.

(c) Security Lending - BOI is authorized by law to lend its securities and has contracted with the custodial bank to lend BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. On any day, including June 30th, the markets may move in a positive or negative direction resulting in under or over collateralization. The custodial bank compensates for market movement by recalculating on the following business day to meet the collateralization requirements. BOI and the custodial bank split the earnings 85% and 15%, respectively, on securities lending activities. BOI retains all rights and risks of ownership during the loan period. The custodial bank indemnifies BOI's credit risk exposure to the borrowers. The custodial bank does not have the ability to sell collateral securities unless the borrower defaults.

During fiscal year 2022, the custodial bank loaned BOI's public securities and received as collateral the following instruments:

- Cash (U.S. and foreign currency)
- Securities issued or guaranteed by the United States government or its agencies or instrumentalities
- Canadian provincial debt
- All other sovereign debt
- Convertible bonds

- U.S. and non-U.S. equities (which shall include (i) equity securities in the form of exchange-traded funds (“ETFs”) and, for the avoidance of doubt, shall include, but not be limited to, ETFs of the custodial bank or other custodial bank affiliates and (ii) American Depositary Receipts and Global Depositary Receipts)
- Covered bonds
- Preferred securities
- Certificates of Deposit
- Money market instruments
- Asset-backed securities
- Asset-backed commercial paper
- Commercial paper
- Collateralized mortgage obligations
- Mortgage-backed securities
- Supranationals
- Irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower may be accepted as collateral, if the custodial bank has determined that it is appropriate to accept such letters of credit as collateral under the securities lending programs it administers
- Assets permissible under Rule 15c3-3 under the Exchange Act of 1934; and
- Such other collateral as the parties may agree to in writing from time to time

BOI has an established schedule with the custodial bank that identifies the minimum credit rating and margin requirements for each instrument:

Collateral Type	Minimum Credit Rating	Margin Requirement
US Treasuries, including Treasury Inflation Priced Securities		102%
US Federal Agency Debt, including agency mortgage-backed securities		102%
Municipal Bonds	A-/A3	105%
Canadian Provincial and Australian Semi-Regional Debt	A-/A3	105%
Asset-Backed Securities	AA-/Aa3	110%-115%
Collateralized Mortgage-Backed Securities	AA-/Aa3	110%-115%
Commercial Mortgage-Backed Securities	AA-/Aa3	110%-115%
Supranational Debt	AAA/Aaa	102%
Sovereign Debt	AA-/Aa3	102%
Sovereign Debt	A-/A3	105%
Commercial Paper, Certificates of Deposit, Banker's Acceptances and Time Deposits	A1/P1	105%
Corporate Debt	AA-/Aa3	102%-115%
Corporate Debt	BBB-/Baa3	102%-115%
Convertible Bonds (convertible on call against loans of underlying stock, only) Matched/Hedged	No Floor	105%
Convertible Bonds (U.S. issuers only) Outright	No Floor	110%-115%
Equities (generally traded on well-established exchanges)		108%-110%

BOI imposed no restrictions on the amount of securities available to lend during fiscal year 2022. However, STIP assets are currently not available for securities lending. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the period that resulted in a declaration and notice of default of the borrower. There were no losses during fiscal year 2022 resulting from a borrower default. As of June 30, 2022, no securities were recalled and not yet returned.

The cash collateral received for each loan was invested, together with the cash collateral of other qualified plan lenders, in an investment fund, the Navigator Securities Lending Government Money Market (Navigator) portfolio.

BOI and the borrowers maintain the right to terminate all securities lending transactions on notice. Because the securities lending transactions were terminable at will, their duration did not generally match

the duration of the investments made with the cash collateral received from the borrower. The Navigator portfolio had an average duration of 1 day and the average weighted final maturity of 31 days.

(d) Investment Pools and Separately Managed Accounts (SMA) are described in the following paragraphs.

Consolidated Asset Pension Pool (CAPP)

The CAPP IPS contains prescribed asset allocation ranges among the allowable asset classes and is subject to change as BOI adopts modifications. BOI annually affirms or revises the asset allocation ranges for the retirement plans. The CAPP IPS also contains investment objectives and guidelines for each underlying asset class, with a purpose of providing diversified exposure within the asset class in a prudent and cost-effective manner.

Due to a longer-term focus, CAPP's asset classes differ from other classes that are allowable for other programs. CAPP's underlying asset classes are as follows:

- Domestic Equities
- International Equities
- Private Investments
- Real Assets
- Real Estate
- Core Fixed Income
- Non-Core Fixed Income
- Cash

The CAPP IPS is the only IPS that allows for investments that can be held in non-U.S. securities in a foreign currency. Per the CAPP IPS, the Core Fixed Income Asset Class and Non-Core Fixed Income Asset Class sections have maximum restrictions that can be held. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the U.S. dollar value of investments made.

Trust Funds Investment Pool (TFIP)

The TFIP IPS provides for a 10% portfolio limit for non-core fixed income securities. TFIP invests primarily in investment grade, U.S. dollar denominated fixed income securities. The portfolio has high yield and core real estate exposure.

Short Term Investment Pool (STIP)

The STIP IPS limits the concentration of credit risk exposure by limiting portfolio investment types to 3.0% in any issuer except for U.S. Treasury and U.S. Agency securities as well as any repurchase agreements with a financial institution.

STIP invests primarily in short-term, high quality, fixed income securities with a maximum maturity of 397 days or less. Variable securities shall have a maximum maturity of 2 years. STIP shall maintain a dollar-weighted average portfolio maturity of 120 days or less. STIP is managed to preserve principal while providing 24-hour liquidity for state agency and local government participants.

BOI maintains a reserve account that may be used to offset losses within the STIP portfolio. The STIP reserve for the year ending June 30, 2022, is detailed as follows:

STIP Reserve Activity (in thousands)	
Beginning STIP Reserve	\$ 54,212
Additions	
Investment Earnings:	
Net increase (decrease) on fair value of investments	117
Interest income	18
Transfer of daily STIP income	2,340
Recoveries from write-offs	407
Total investment earnings	2,882
Total STIP Reserve activity	2,882
Ending STIP Reserve	<u>\$ 57,094</u>

Separately Managed Accounts (SMA)

SMA invests primarily in investment grade, U.S. dollar denominated, fixed income securities and custodial bank interest bearing demand deposit account. However, one participant portfolio has exposure to core real estate and high yield fixed income. The SMA portfolio also includes Veteran's Home Loan Mortgages (VHLM) and loans funded by the Coal Severance Tax Trust Fund, as authorized by statute.

(e) Investment Risk Disclosures are described in the following paragraphs, with more detail provided in later sections.

Custodial Credit Risk (Cash and Cash Equivalents and Investments Held at Custodial Bank)

Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, BOI will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Per policy, BOI's custodial bank must be rated at a minimum at the 6th highest investment grade rating by at least two Nationally Recognized Statistical Rating Organizations (NRSROs) on an annual basis.

As of June 30, 2022, all the public securities as well as securities held by the separate public equity account managers were registered in the nominee name for BOI and held in the possession of BOI's custodial bank. The equity index funds, securities held at the State's depository bank, real estate, mortgage, and loan investments were purchased and recorded in BOI's name. Commingled fund investments are registered in the name of BOI. Therefore, BOI is not subject to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of any single investment per issuer name. Investments explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement. Concentration of credit risk is addressed within all IPS as set by BOI.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Except for U.S. Government securities, the pools and SMA fixed income instruments have credit risk as measured by NRSRO ratings. Credit risk is contemplated for each individual portfolio in the IPS. Credit risk is managed by constraining portfolio purchases around investment grade NRSRO ratings as appropriate. The U.S. Government guarantees its securities directly or indirectly. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk.

As of June 30, 2022, the CAPP's cash equivalents position held at its custodial bank, \$136.0 million was held in unrated money market funds.

As a matter of STIP investment policy, BOI can only purchase securities from a pre-approved "Approved Issuer" list. By STIP policy, permitted money market investments include only SEC registered 2a-7

Institutional Money Market Funds that are considered “U.S. Treasury” or “U.S. Government” money market mutual funds according to the SEC regulations or short-term investment vehicle available through the custodial bank. As of June 30, 2022, all the STIP money market investments were in U.S. Governmental money markets and \$153.0 million was held on deposit in a short-term investment vehicle available through the custodial bank.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BOI uses effective duration as a measure of interest rate risk for all fixed income portfolios. CAPP, TFIP, and SMA investments at fair value are categorized to disclose credit and interest rate risk for fixed income securities. Credit risk is disclosed using the weighted credit quality rating by investment type. Interest rate risk is disclosed using the weighted effective duration. NRSRO provides the credit ratings. According to the STIP investment policy, “The STIP portfolio will minimize interest rate risk by:

1. structuring the investment portfolio so securities mature to meet cash requirements for ongoing operations thereby normally avoiding the need to sell securities on the open market prior to maturity;
2. maintaining a dollar-weighted average portfolio maturity (WAM) of 120 days or less (for this purpose, the date to the next coupon reset date will be used for all floating or variable rate securities); and
3. STIP will maintain a reserve account.”

CAPP, TFIP, STIP, and SMA may hold fixed and variable rate securities. Interest payments on variable securities are based on an underlying reference rate, for example, Secured Overnight Financing Rate (SOFR).

STIP investments at fair value are categorized to disclose credit risk and weighted average maturity (WAM) as of June 30, 2022. Credit risk reflects the weighted security quality rating by investment type as of the June 30 report date. Although the STIP investments have been rated by investment security type, STIP, as an external investment pool, has not been rated. STIP has \$68.7 million of investments reported at cost that are not rated. STIP interest rate risk is determined using the WAM method. The WAM measure expresses investment time horizons (the time when investments are due or reset and payable in days, months, or years) weighted to reflect the dollar size of the individual investments within an investment type. Inclusive of cash and cash equivalents, the WAM averages 68 days for the portfolio. Based on their short weighted average maturity and the relative immaterial difference from their cost to fair value as of June 30, 2022, BOI determined the cash equivalents have little discernible interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP.

Other Policy Considerations

For other risk, BOI approves both the IPS and benchmark used for each portfolio. Per the CAPP IPS, the Core Fixed average duration will be maintained in a range within 20% of the benchmark duration. The Core Fixed Income PAC and Non-Core Fixed Income PAC average duration will be maintained in a range within 25% of the index duration. Per the TFIP IPS, the average duration will be maintained in a range within 20% of the benchmark duration. Interest rate risk for SMA is contemplated in each individual IPS and is managed by limiting the maturity of individual securities and/or matching liabilities to maturities per estimated cash flows.

Fair Value of Derivative Instruments

Within CAPP, the UIP invests in, currency forward contracts, credit default swaps, interest rate swaps, index futures (long and short duration), rights and warrants which are classified as investment derivative instruments. The investment derivative instruments decreased in fair value for the fiscal year ended June

30, 2022, by \$1.5 million. The derivative instruments had a fair value of \$(143.0) thousand as of June 30, 2022. The notional amount of the contracts was \$70.4 million.

Investment Derivative Instruments as of June 30, 2022
(in thousands)

Security Investment Type	Classification	Changes in Fair Value Included in Investment Income	Fair Value	Notional Amount
Credit default swaps bought	Investment	\$ 430	\$ 132	\$ 4,405
Credit default swaps written	Investment	(1,190)	(454)	23,696
Currency Forward Contracts	Investment	412	92	39,162
Index Futures Short	Investment	266	—	(6,500)
Index Futures Long	Investment	(1,408)	—	4
Pay fixed interest rate swaps	Investment	21	21	1,620
Receive fixed interest rate swaps	Investment	7	2	7,947
Rights	Investment	1	42	4
Warrants	Investment	(34)	22	19
Totals		<u>\$ (1,495)</u>	<u>\$ (143)</u>	<u>\$ 70,357</u>

Counterparty Credit Risk - Derivative Instruments

Counterparty credit risk is the risk that the counterparty will not fulfill its obligations. The maximum amount of loss to BOI in case of default of all counterparties as of June 30, 2022 was \$742.0 thousand. The following table reflects BOI's applicable counterparty credit ratings and risk concentrations.

Risk Concentrations - Credit Default Swaps as of June 30, 2022

Counterparty Name	Percentage of Net Exposure	S&P Rating	Fitch Rating	Moody's Rating
HSBC Bank USA	58%	A+	AA-	Aa3
UBS ICE	20%	A+	AA-	Aa3
Barclays Bank PLC Wholesale	10%	A	A+	A1
BNP Paribas SA	7%	A+	A+	Aa3
UBS LCH	4%	A+	AA-	Aa3
Citibank N.A.	1%	A+	A+	Aa3

B. Cash/Cash Equivalents

(1) Cash Deposits – The State requires collateralization based on the average daily bank balance in the depository bank holding the main state bank account. For other depository banks, state statutes require collateralization at 50.0% of the bank balance. The cash deposits amount includes both primary government and component unit deposits.

Table 1 – Cash Deposit Amounts
(in thousands)

	Carrying Amount
Cash held by State/State's agent	\$ 49,777
Uninsured and uncollateralized cash	4,638
Undeposited cash	636
Cash in U.S. Treasury	473,707
Cash in MSU component units	10,404
Cash in UM component units	15,988
Less: outstanding warrants	(76,001)
	<u>\$ 479,149</u>

(2) Cash Equivalents – consists of cash in the State Treasury invested by individual funds in the Short-term Investment Pool (STIP), the State Treasurer's pooled cash account, and in identifiable securities and investments considered to be cash equivalents. Cash equivalents, generally, are short-term, highly liquid investments with original maturities of three months or less that are measured at cost. Cash equivalents may be under the control of BOI or other agencies, as allowed by law.

Table 2 - Cash Equivalents
(in thousands)

	Fair Value
Treasuries ⁽¹⁾	\$ 520,928
Asset backed commercial paper ⁽²⁾	69,929
Corporate commercial paper ⁽²⁾	838,725
Corporate notes ⁽²⁾	253,992
Certificates of deposit ⁽²⁾	752,070
Agency or government related ⁽²⁾	1,242,500
Unrated INTERCAP bonds ⁽²⁾⁽³⁾	68,707
Money market fund unrated	231,599
STIP cash equivalents ⁽²⁾	3,883,530
Treasurer's cash pool cash equivalents ⁽²⁾	169,000
Less: STIP Adjustments ⁽⁴⁾	(115,336)
Total cash equivalents	<u>\$ 7,915,644</u>

⁽¹⁾ A portion is also included in the Investments Measured at Fair Value and NAV table.

⁽²⁾ Also included in the Investments Measured at Fair Value and NAV table.

⁽³⁾ Investments are measured at cost.

⁽⁴⁾ Includes adjustments for STIP Reserve, STIP included in pooled investments, and holding classification differences.

As of June 30, 2022, local governments had invested \$1.8 billion, and component units of the State of Montana had invested \$360.9 million in STIP.

STIP Cash Equivalent Credit Quality Ratings as of**June 30, 2022**

(in thousands)

	Total Cash Equivalents	Credit Quality Rating
Agency or government related	\$ 196,111	A-1+
Asset backed commercial paper	2,750,228	A-1+
Corporate commercial paper	784,191	A-1+
Interest Bearing Demand Deposit Account (IBDDA)	153,000	NR
Total cash equivalents	<u>\$ 3,883,530</u>	

STIP**Credit Quality Rating and Weighted Average of Maturity as of****June 30, 2022**

(in thousands)

Security Investment Type	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	\$ 520,928	A-1	17
Asset backed commercial paper	69,929	A-1	2
Agency or government related	1,242,500	A-1	40
Corporate:			
Commercial paper	838,725	A-1	27
Notes	253,992	A-1	8
Certificates of deposit	752,070	A-1	24
Total STIP fixed income investments at fair value	<u>\$ 3,678,144</u>		

C. Equity in Pooled Investments

These securities consist of investments held by BOI in pooled investment funds. The Consolidated Asset Pension Pool (CAPP) and Trust Funds Investment Pool (TFIP) were created to allow qualifying funds to participate in diversified investment pools. Purchases are subject to the statutorily mandated “Prudent Expert Principle” (see Table 3 – Equity in Pooled Investments).

Table 3 – Equity in Pooled Investments
(in thousands)

	Fair Value ⁽¹⁾
CAPP:	
Consolidated asset pension pool	\$ 13,346,867
TFIP:	
Trust funds investment pool	2,826,431
Treasurer's Cash Pool Investment in TFIP ⁽²⁾	(90,280)
Total pooled investments	16,083,018
Pool adjustments (net)	6,677
Total equity in pooled investments	<u>\$ 16,089,695</u>

⁽¹⁾ Includes cash/cash equivalents and investments.

⁽²⁾ TFIP becomes permitted investments for the State Treasurer's Fund.

As of June 30, 2022, the fair value of the underlying securities on loan was \$655.7 million. Collateral provided for the securities on loan totaled \$688.5 million, consisting of \$181.4 million in cash and \$507.2 million in securities.

As of June 30, 2022, local governments invested \$12.3 million in TFIP.

State of Montana investments are categorized below to disclose credit and interest rate risk as of June 30, 2022, as required for applicable pools.

Credit Quality Rating and Effective Duration as of June 30, 2022
Fair Value (in thousands)

Security Investment Type	CAPP	TFIP	SMA	Total Fixed Income Investments at Fair Value	Credit Quality Ratings Range	Effective Duration (Years)
Treasuries	\$ 645,358	\$ 408,628	\$ 317,079	\$ 1,371,065	AAA	4.31-11.29
Agency or Government Related	273,369	165,965	100,130	539,464	A+ to AAA	2.56-5.87
Asset-Backed Securities	117,536	109,481	86,529	313,546	AAA	2.15-2.77
Mortgage-Backed Securities:						
Noncommercial	295,986	244,066	163,938	703,990	AAA	5.08-5.91
Commercial	191,620	239,542	79,105	510,267	AAA	3.72-5.33
Corporate:						
Financial	373,804	279,424	192,305	845,533	BBB+ to A-	2.73-3.71
Industrial	721,364	577,064	273,752	1,572,180	BB+ to BBB+	4.45-5.58
Utility	35,249	10,088	6,323	51,660	BBB-	3.12-5.12
Total fixed income investments at fair value	<u>\$ 2,654,286</u>	<u>\$ 2,034,258</u>	<u>\$ 1,219,161</u>	<u>\$ 5,907,705</u>		

State of Montana investments are measured at fair value and categorized within the fair value hierarchy established by GASB Statement No. 72 – *Fair Value Measurement and Application*, as defined below.

Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Residential Mortgages classified in Level 3 of the fair value hierarchy are present value adjusted.

Direct real estate classified in Level 3 of the fair value hierarchy are based on the latest appraised value. In years with no updated appraisal the Montana Department of Revenue calculated growth rate is used to determine the adjusted value. The direct real estate was last appraised in fiscal year 2020.

Investments measured at cost are included to account for all investments within each pool and SMA. These assets represent cash equivalents, INTERCAP Bonds, and Montana Mortgages and Loans.

Each of the investment pools and SMA has the following fair value measurements as of June 30, 2022:

Investments Measured at Fair Value
(in thousands)

	Fair Value Measurements Using			
	June 30, 2022	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable (Level 3)
<u>Investments by fair value level</u>				
Fixed income investments:				
Treasuries	\$ 1,891,993	\$ 1,891,993	\$ —	\$ —
Agency or Government Related	1,781,964	—	1,781,964	—
Asset Backed Securities	313,546	—	313,546	—
Mortgage Backed Securities:				
Noncommercial	703,990	—	703,990	—
Commercial	510,267	—	510,267	—
Corporate:				
Commercial Paper	908,654	—	908,654	—
Commercial Notes	253,992	—	253,992	—
Certificates of Deposit	752,070	—	752,070	—
Financial	845,533	—	845,533	—
Industrial	1,572,180	—	1,572,180	—
Utility	51,660	—	51,660	—
Domestic equity investments	4,301,691	4,301,691	—	—
International equity investments	2,152,673	2,152,673	—	—
Direct Real Estate	21,105	—	—	21,105
Residential Mortgages	1,279	—	—	1,279
Investment derivative instruments	(143)	—	(143)	—
Total investments by fair value level	16,062,454	8,346,357	7,693,713	22,384
<u>Investments measured at the net asset value (NAV)</u>				
Private Investments	2,242,757			
Core Real Estate	1,313,303			
Non-Core Real Estate	903,261			
Real Assets	450,245			
Real Estate High Income Fund	175,513			
Total investments measured at NAV	5,085,079			
Total investments measured at fair value	21,147,533			
<u>Investments at cost</u>				
Cash and cash equivalents held at custodial bank	4,041,044			
INTERCAP Bonds	68,707			
SMA Montana Mortgages and Loans	190,088			
Total investments not categorized	4,299,839			
Total investments	\$ 25,447,372			

The investments measured at NAV for the year ended June 30, 2022, are detailed below:

	Investments Measured at NAV (in thousands)			
	Net Asset Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Private Investments	\$ 2,242,757	\$ 1,223,193		
Core Real Estate	1,313,303	130,593	Monthly, quarterly	45-90 days
Non-Core Real Estate	903,261	720,895		
Real Assets	450,245	366,957		
Real Estate High Income Fund	175,513	—	Daily	1-3 days
Total investments measured at the NAV	<u>\$ 5,085,079</u>	<u>\$ 2,441,638</u>		

STIP and \$1.6 billion of SMA are included, and also reported in Tables 2 and 4, respectively.

Private Investments – This type includes investments in limited partnerships. Typically, the types of partnership strategies included in this portfolio: venture capital, growth equity, buyouts, special situations, mezzanine, and distressed debt. These investments are considered long-term. Redemptions are restricted over the life of the partnership. During the life of the partnerships, distributions are received as underlying partnership investments are realized. It is expected that the underlying assets of the funds will be liquidated over 10 years. It is probable all the investments in this type will be sold at an amount different from the NAV per share (or its equivalent) of the BOI's ownership interest in partners' capital.

Core Real Estate – This type includes funds that invest primarily in core real estate, which makes equity investments in operating and substantially leased institutional quality real estate in traditional property types (apartments, office, retail, industrial, and hotel) via commingled funds. The primary investment objectives of these core real estate funds are to invest in real estate that will generate income from predictable sources of revenue and not to realize gains on the underlying assets. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the partners' capital. Redemption of these investments is restricted based on the availability of cash flow arising from investment transactions, sales, and other fund operations occurring in the ordinary course of business. Therefore, requested redemptions from a fund will be redeemed as funds become available.

Non-Core Real Estate – This type includes private partnership funds that primarily invest in value added and opportunistic real estate funds. These funds assume more risk than the core real estate funds to achieve a greater return on investment. Returns are driven both by current income and by expected capital appreciation. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 7 to 10 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the fund.

Real Assets – This type includes private partnership funds that primarily invest in timber, energy, broad natural resource funds, and infrastructure. This investment type receives distributions of generated income and occasionally through the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the funds will be liquidated over 10 to 20 years. The fair values of the investments in this category have been determined using the NAV per share (or its equivalent) of the BOI's ownership interest in the partners' capital.

Real Estate High Income Fund – This type consists of predominantly of real estate related instruments with an emphasis in U.S. corporate credits, whether in the form of bonds or loans that are rated below investment grade. These assets carry a higher risk of default than investment grade securities and accordingly provide a higher level of income or yield commensurate with that risk. The fair values of the investments of this type have been determined using the NAV per share (or its equivalent) of the investments.

As of June 30, 2022, the exchange date, BOI's foreign currency exposure by denomination and investment type are reported, in U.S. dollars, at fair value and is limited to CAPP. The following table excludes the foreign investments denominated in U.S. dollars for the American Depositary Receipts (ADRs), sovereign debt, and commingled index funds.

Foreign Currency Exposure by Country

Investment Type in U.S. Dollar Equivalent

(in thousands)

Foreign Currency Denomination	Currency	Fixed Income	International Equities	Private Investments	Real Estate	Real Assets
Australian Dollar	\$ (120)	\$ —	\$ 44,281	\$ —	\$ —	\$ —
Brazilian Real	269	5,933	23,738	—	—	—
Canadian Dollar	57	—	75,211	—	—	—
Chilean Peso	68	1,900	120	—	—	—
Columbian Peso	12	2,783	—	—	—	—
Czech Koruna	—	—	56	—	—	—
Danish Krone	26	—	23,845	—	—	—
Egyptian Pound	—	—	62	—	—	—
EMU – Euro	32	2,781	190,155	13,179	145	29,404
Hong Kong Dollar	201	—	78,288	—	—	—
Hungarian Forint	43	2,253	1,499	—	—	—
Hryvnia	281	947	—	—	—	—
Indonesian Rupiah	114	3,483	12,518	—	—	—
Japanese Yen	459	—	134,236	—	—	—
Kazakhstan Tenge	—	462	—	—	—	—
Malaysian Ringgit	54	2,086	8,485	—	—	—
Mexican Peso	62	7,262	14,510	—	—	—
New Israeli Sheqel	—	—	11,262	—	—	—
New Taiwan Dollar	—	—	38,694	—	—	—
New Zealand Dollar	—	—	308	—	—	—
Norwegian Krone	—	—	15,547	—	—	—
Philippine Peso	10	—	1,164	—	—	—
Polish Zloty	—	423	4,942	—	—	—
Pound Sterling	632	—	90,162	—	—	—
Romanian Leu	35	698	—	—	—	—
Russian Ruble	27	—	—	—	—	—
Singapore Dollar	20	—	10,657	—	—	—
SOL	—	4,791	—	—	—	—
South African Rand	24	6,472	2,883	—	—	—
South Korean Won	55	—	36,832	—	—	—
Swedish Krona	70	—	33,148	—	—	—
Swiss Franc	1	—	41,035	—	—	—
Thailand Baht	13	—	7,393	—	—	—
Turkish Lira	—	—	620	—	—	—
Uruguayan Peso	—	2,553	—	—	—	—
Uzbekistan Sum	—	308	—	—	—	—
Yuan Renminbi	76	(2)	17,694	—	—	—
Total cash and securities	\$ 2,521	\$ 45,133	\$ 919,345	\$ 13,179	\$ 145	\$ 29,404

Investments in alternative financial assets are usually made via limited partnership agreements that involve many limited partners and a general partner who is responsible for all investment decisions. The limited partners make an original commitment, after which capital is called as needed by the general partner to make investments. These agreements will usually last for a minimum of 10 years. The following table shows the BOI's remaining commitments as of June 30, 2022 to active alternative investment funds with approximately \$2.4 billion related to CAPP and \$88.0 million related to TFIP.

Commitments to Fund Managers (in thousands)		
Pension Asset Class	Original Commitment	Commitment Remaining
Private Investments	\$ 3,831,878	\$ 1,223,193
Real Assets	839,938	366,957
Real Estate	3,113,601	851,488
Total	<u>\$ 7,785,417</u>	<u>\$ 2,441,638</u>

D. Investments

BOI was created by the State Legislature to manage the Unified Investment Program established by the State Constitution. Long-term investments are administered by the following agencies, as allowed by state law, Section 17-6-201, MCA:

Long-term Investments	
Department	Percent Administered
Board of Investments	45.58 %
Universities	21.26
MPERA (Montana Public Employee Retirement Administration)	25.79
College Savings Plan	4.91
Montana Board of Housing	1.55
Other ⁽¹⁾	0.91
Total	<u>100.00 %</u>

⁽¹⁾ Other consists of the Commissioner of Higher Education, the Department of Administration, the Department of Revenue, and State Auditor.

BOI must employ the "Prudent Expert Rule" in managing the State's investment portfolio. Investments are presented at fair value. Investment fair values for publicly traded securities are determined primarily by reference to market prices supplied to BOI's custodial bank or trustee. State investments are categorized within the fair value hierarchy established by GASB Statement No. 72.

The PERS Defined Contribution Retirement Plan (DCRP) and the Deferred Compensation Plan's Montana Fixed Fund is a stable value investment option administered and monitored by the Public Employees' Retirement Board (PERB) with input from the Employee Investment Advisory Committee and the investment consultant. PERB has established an investment policy for the Montana Fixed Fund to identify objectives, investment guidelines, and outline the responsibility of the outside vendors. This investment policy includes stable value manager Pacific Investment Management Company LLC (PIMCO), custodial bank State Street Bank and Trust Company (State Street), and third-party synthetic Guaranteed Interest Contract (GIC) providers, Transamerica Life Insurance Company (Transamerica), Prudential Insurance Company of America (Prudential), and Voya Retirement Insurance and Annuity Company (Voya). All money invested in the Montana Fixed Fund investment option of the PERS-DCRP and Deferred Compensation Plan is held in a Pooled Trust. The third party recordkeeper, Empower Retirement™, tracks and reports the daily trading and valuations of all investment options, including the assets held by the individual mutual fund companies.

Table 4 – Investments
(in thousands)

	Fair Value June 30, 2022	Quoted prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Primary government				
<u>Investments by fair value level</u>				
Treasuries ⁽¹⁾	\$ 1,896	\$ 1,896	\$ —	\$ —
Agency/Government Related ⁽¹⁾	5,740	—	5,740	—
Stocks	9,792	9,792	—	—
Other	340	—	340	—
Total investments at fair value	17,768	11,688	6,080	—
<u>Investments at cost</u>				
Montana Mortgages and Loans ⁽³⁾	182,723			
Total investments at cost	182,723			
Total primary government	200,491			
Component units/fiduciary funds				
<u>Investments by fair value level</u>				
Treasuries ⁽¹⁾	245,923	245,923	—	—
Agency/Government Related ⁽¹⁾	94,390	—	94,390	—
Asset-Backed Securities ⁽¹⁾	86,529	—	86,529	—
Mortgage-Backed Securities ⁽¹⁾	163,938	—	163,938	—
Commercial Mortgage-Backed Securities ⁽¹⁾	79,105	—	79,105	—
Financial-Corporate ⁽¹⁾	192,305	—	192,305	—
Industrial-Corporate ⁽¹⁾	273,752	—	273,752	—
Utility-Corporate ⁽¹⁾	6,323	—	6,323	—
Equity Investments	181,720	181,720	—	—
529 College Savings Plan	176,065	—	176,065	—
VEBA	10,727	10,727	—	—
State Auditor	11,706	5,567	6,139	—
MSU Investments ⁽²⁾	324	—	324	—
MSU Component Unit Investments ⁽²⁾	207,887	200,496	4,868	2,523
UM Component Unit Investments ⁽²⁾	94,277	33,527	49,952	10,798
Board of Housing ⁽²⁾	27,729	10,669	17,060	—
Total investments at fair value	1,852,700	688,629	1,150,750	13,321
<u>Investments at net asset value (NAV)</u>				
Core Real Estate	121,318			
Deferred Compensation ⁽²⁾	565,206			
Defined Contribution ⁽²⁾	359,486			
MSU Component Unit Investments ⁽²⁾	134,200			
UM Other Investments ⁽²⁾	397			
UM Component Unit Investments ⁽²⁾	298,603			
UM Interest in Split Interest ⁽²⁾	5,431			
Total investments at NAV	1,484,641			
<u>Investments at cost</u>				
MSU Component Unit Investments ⁽²⁾	20,986			
Board of Housing ⁽²⁾	27,806			
Total Investments at Cost	48,792			
Total component unit/fiduciary investments	3,386,133			
Total investments	\$ 3,586,624			
Securities lending investment pool	\$ 11,209			

- (1) The credit quality rating and duration are included in the above sections for the rated investments.
- (2) For more detail, refer to component unit separately issued financial statements.
- (3) The total for Montana Mortgages and Loans does not include Coal Severance Tax loans, which was included in SMA financial statements. This amount of \$7.4 million is considered advances to other funds/component units and amounts due from component units in the Coal Tax Severance column of the governmental fund financial statements.

As of June 30, 2022, the fair value of the investments on loan was \$126.8 million. Collateral provided for the investments on loan totaled \$130.1 million consisting of \$11.2 million in cash and \$118.9 million in securities.

\$1.6 billion of SMA is included and also reported in the Investments Measured at Fair Value and NAV table.

NOTE 4. DISAGGREGATION OF ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Accounts receivable, long-term loans/notes/leases receivable, accounts payable, deferred outflows of resources, and deferred inflows of resources on the Statement of Net Position as of June 30, 2022, consisted of the following (in thousands):

A. Accounts Receivables

	Governmental Activities						
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Charges for services/fines/forfeitures	\$ —	\$ 5,779	\$ 4,121	\$ 596	\$ —	\$ —	\$ 22,002
Contributions/premiums	—	—	—	12,467	—	—	2,428
Grants/contracts/donations	—	3	—	—	—	—	22,425
Loans/investment income	4,504	—	4,137	386	3,381	6,278	3,309
Lease receivables ⁽¹⁾	—	—	—	—	5,556	—	4
License and permits	—	—	—	—	—	—	1,211
Medicaid Drug Rebate Program	—	81,734	20,431	—	—	—	—
Other receivable	—	291	3	558	—	—	51
Reimbursements/overpayments	—	—	10,649	—	—	—	12,426
Taxes receivable	13,085	—	458,029	—	—	7,440	110,397
Total receivables	17,589	87,807	497,370	14,007	8,937	13,718	174,253
Less: allowance for doubtful accounts	(688)	(2,436)	(149,222)	(559)	—	(228)	(21,226)
Receivables, net	\$ 16,901	\$ 85,371	\$ 348,148	\$ 13,448	\$ 8,937	\$ 13,490	\$ 153,027

⁽¹⁾ GASB Statement No. 87 was implemented in fiscal year 2022. Further detail regarding lease receivables is provided in Note 10.

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Charges for services	\$ —	\$ 37,990	\$ —
Contributions/premiums	—	3,849	5,293
Loans/investment income	7,581	182	—
Other receivables	—	11	—
Reimbursements/overpayments	—	—	26,295
Total receivables	7,581	42,032	31,588
Less: allowance for doubtful accounts	—	(511)	(14,470)
Receivables, net	\$ 7,581	\$ 41,521	\$ 17,118

B. Long-Term Loans/Notes/Leases Receivable

	Governmental Activities			
	Federal Special Revenue	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Loans/investment income	\$ 13,179	\$ —	\$ 17,202	\$ 506,399
Lease receivables ⁽¹⁾	—	364,880	—	230
Other receivable	—	—	—	12
Total receivables	13,179	364,880	17,202	506,641
Less: allowance for loan forgiveness	(9,575)	—	—	—
Less: allowance for doubtful accounts	—	—	—	(141)
Long-term loans/notes/leases receivable	<u>\$ 3,604</u>	<u>\$ 364,880</u>	<u>\$ 17,202</u>	<u>\$ 506,500</u>

⁽¹⁾ GASB Statement No. 87 was implemented in fiscal year 2022. Further detail regarding lease receivables is provided in Note 10.

	Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Loans/investment income	\$ 42,228	\$ —	\$ —
Reimbursements/overpayments	—	—	57,367
Other receivables	—	71	—
Total receivables	42,228	71	57,367
Less: allowance for doubtful accounts	—	—	(14,529)
Long-term loans/notes/leases receivable	<u>\$ 42,228</u>	<u>\$ 71</u>	<u>\$ 42,838</u>

C. Deferred Outflows of Resources

	Governmental Activities				
	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Governmental Funds	State Special Revenue
OPEB deferred outflows ⁽¹⁾	\$ —	\$ 92,610	\$ 6,073	\$ —	\$ —
Pension deferred outflows ⁽²⁾	3	651,010	12,625	—	111
Refunding deferred outflows	—	—	—	1,456	—
Total deferred outflows	<u>\$ 3</u>	<u>\$ 743,620</u>	<u>\$ 18,698</u>	<u>\$ 1,456</u>	<u>\$ 111</u>

	Business-type Activities	
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred outflows ⁽¹⁾	\$ 31	\$ 1,670
Pension deferred outflows ⁽²⁾	81	3,390
Total deferred outflows	<u>\$ 112</u>	<u>\$ 5,060</u>

⁽¹⁾ Further detail regarding OPEB related deferred outflows of resources is provided in Note 7.

⁽²⁾ Further detail regarding pension related deferred outflows of resources is provided in Note 6.

D. Accounts Payables

Governmental Activities						
	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Accrued interest	\$ 2	\$ 216	\$ —	\$ —	\$ 1,715	\$ 57
Payroll	7,851	17,649	3,262	—	5	17,693
Tax refunds	—	223,514	—	—	—	—
Vendors/individuals	253,733	83,824	14,767	9	5,149	174,313
Payables, net	\$ 261,586	\$ 325,203	\$ 18,029	\$ 9	\$ 6,869	\$ 192,063

Business-type Activities			
	Municipal Finance Programs	Nonmajor Enterprise Funds	Unemployment Insurance
Accrued interest	\$ 188	\$ 6	\$ —
Payroll	20	803	—
Vendors/individuals	—	17,607	4,817
Payables, net	\$ 208	\$ 18,416	\$ 4,817

E. Deferred Inflows of Resources

Governmental Activities						
	Federal Special Revenue	General Fund	Internal Service Funds	Land Grant	Nonmajor Governmental Funds	State Special Revenue
Leases deferred inflows ⁽³⁾	\$ —	\$ —	\$ —	\$ 370,436	\$ —	\$ 233
OPEB deferred inflows ⁽¹⁾	—	58,536	3,862	—	—	—
Pension deferred inflows ⁽²⁾	5	943,532	19,218	—	—	152
Refunding deferred inflows	—	—	—	—	1,867	—
Total deferred inflows	\$ 5	\$ 1,002,068	\$ 23,080	\$ 370,436	\$ 1,867	\$ 385

Business-type Activities		
	Municipal Finance Programs	Nonmajor Enterprise Funds
OPEB deferred inflows ⁽¹⁾	\$ 19	\$ 1,086
Pension deferred inflows ⁽²⁾	105	4,877
Total deferred inflows	\$ 124	\$ 5,963

⁽¹⁾ Further detail regarding OPEB related deferred inflows of resources is provided in Note 7.

⁽²⁾ Further detail regarding pension related deferred inflows of resources is provided in Note 6.

⁽³⁾ GASB Statement No. 87 was implemented in fiscal year 2022. Further detail regarding lease related deferred inflows is provided in Note 10.

NOTE 5. CAPITAL ASSETS

Changes in capital asset balances for the fiscal year ended June 30, 2022, are reflected in the following table (in thousands):

Governmental Activities	Beginning Balance	Increases ⁽¹⁾	Decreases ⁽¹⁾	Ending Balance
Capital assets not being depreciated:				
Land	\$ 776,482	\$ 15,375	\$ (1,727)	\$ 790,130
Construction work in progress	1,372,621	456,485	(522,324)	1,306,782
Easements	255,427	23,490	(5)	278,912
Museum and art	86,165	590	—	86,755
Right to use lease land ⁽²⁾	72	—	—	72
Other	30,468	205	(21)	30,652
Total capital assets not being depreciated	2,521,235	496,145	(524,077)	2,493,303
Capital assets being depreciated:				
Infrastructure	5,869,360	624,503	(452,985)	6,040,878
Land improvements	78,660	2,056	—	80,716
Buildings/improvements	637,537	40,223	(118)	677,642
Equipment	451,617	23,866	(15,555)	459,928
Easements - amortized	1,231	—	(73)	1,158
Right to use lease land ⁽²⁾	1,812	—	—	1,812
Right to use lease buildings ⁽²⁾	156,620	5,446	—	162,066
Right to use lease equipment ⁽²⁾	481	3	—	484
Other	6,131	188	—	6,319
Total capital assets being depreciated	7,203,449	696,285	(468,731)	7,431,003
Less accumulated depreciation and amortization for:				
Infrastructure	(1,776,307)	(215,502)	222,645	(1,769,164)
Land improvements	(40,194)	(3,562)	—	(43,756)
Buildings/improvements	(437,566)	(21,505)	115	(458,956)
Equipment	(300,166)	(25,485)	11,101	(314,550)
Right to use lease land	—	(160)	—	(160)
Right to use lease buildings	—	(20,997)	—	(20,997)
Right to use lease equipment	—	(119)	—	(119)
Other	(4,845)	(288)	—	(5,133)
Total accumulated depreciation and amortization	(2,559,078)	(287,618)	233,861	(2,612,835)
Total capital assets being depreciated, net	4,644,371	408,667	(234,870)	4,818,168
Intangible assets	60,414	7,992	(24,148)	44,258
Governmental activities capital assets, net	\$ 7,226,020	\$ 912,804	\$ (783,095)	\$ 7,355,729

⁽¹⁾ The increases and decreases noted above include adjustments related to prior periods and correction of errors.

⁽²⁾ The beginning balance has been restated for implementation of GASB Statement No. 87.

Business-type Activities	Beginning Balance	Increases ⁽¹⁾	Decreases ⁽¹⁾	Ending Balance
Capital assets not being depreciated:				
Land	\$ 800	\$ —	\$ —	\$ 800
Construction work in progress	1,303	3,480	(953)	3,830
Other	3,213	358	(145)	3,426
Total capital assets not being depreciated	5,316	3,838	(1,098)	8,056
Capital assets being depreciated:				
Infrastructure	1,175	—	—	1,175
Land improvements	3,830	—	—	3,830
Buildings/improvements	16,379	14	—	16,393
Equipment	9,846	349	(235)	9,960
Right to use lease buildings ⁽²⁾	4,067	—	—	4,067
Total capital assets being depreciated	35,297	363	(235)	35,425
Less accumulated depreciation and amortization for:				
Infrastructure	(783)	(19)	—	(802)
Land improvements	(2,362)	(149)	—	(2,511)
Buildings/improvements	(7,700)	(583)	—	(8,283)
Equipment	(7,756)	(337)	210	(7,883)
Right to use lease buildings	—	(404)	—	(404)
Total accumulated depreciation and amortization	(18,601)	(1,492)	210	(19,883)
Total capital assets being depreciated, net	16,696	(1,129)	(25)	15,542
Intangible assets	3,432	—	(1,664)	1,768
Business-type activities capital assets, net	\$ 25,444	\$ 2,709	\$ (2,787)	\$ 25,366

⁽¹⁾ The increases and decreases noted above include adjustments related to prior periods and corrections of errors.

⁽²⁾ The beginning balance has been restated for implementation of GASB Statement No. 87.

Total right to use lease capital assets (in thousands):

	Right to Use Lease Capital Assets	Right to Use Lease Accumulated Amortization	Right to Use Lease Capital Assets, Net
Governmental activities	\$ 164,434	\$ (21,276)	\$ 143,158
Business-type activities	4,067	(404)	3,663
Total	\$ 168,501	\$ (21,680)	\$ 146,821

Depreciation expense for capital assets and amortization expense for right to use lease assets were charged to governmental functions as follows (in thousands):

	Depreciation ⁽¹⁾	Right to Use Lease Asset Amortization	Total
General government	\$ 9,691	\$ 3,310	\$ 13,001
Public safety	9,565	5,120	14,685
Transportation, including depreciation of the highway system maintained by the State	217,313	—	217,313
Health and human services	4,043	8,780	12,823
Education	177	435	612
Natural resources, including depreciation of the state's dams	11,425	2,633	14,058
Depreciation on capital assets held by the internal service funds	14,128	998	15,126
Total – Governmental Activities	<u>\$ 266,342</u>	<u>\$ 21,276</u>	<u>\$ 287,618</u>

⁽¹⁾ Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

Depreciation expense for capital assets and amortization expense for right to use lease assets were charged to business-type activities as follows (in thousands):

	Depreciation ⁽¹⁾	Right to Use Lease Asset Amortization	Total
Liquor Stores	\$ 92	\$ 30	\$ 122
State Lottery	36	207	243
Prison Funds	386	—	386
West Yellowstone Airport	515	—	515
Other Enterprise Funds	59	167	226
Total – Business-type Activities	<u>\$ 1,088</u>	<u>\$ 404</u>	<u>\$ 1,492</u>

⁽¹⁾ Depreciation expenses noted above include adjustments related to prior periods and correction of errors.

According to GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, a capital asset is considered impaired when its service utility has declined, enactment or approval of laws or regulations, or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset. In fiscal year 2022, the Department of Transportation replaced a portion of the highway system due to these factors, resulting in a \$124.4 million impairment loss, which is included in the Transportation functional expense line on the Statement of Activities.

NOTE 6. RETIREMENT PLANS

A. General

The funding policies for each plan provide for periodic employee, employer, and State nonemployer contributions at rates specified by state law. An actuary determines the actuarial implications of the funding requirement in an annual actuarial valuation. The actuarial method used to determine the implications of the statutory funding level is the Entry Age Actuarial Cost Method, with both normal cost and amortization of the unfunded actuarial liability determined as a level percentage of payroll expense. Benefits are established by state law and can only be amended by the Legislature.

Montana State Fund (MSF), a discretely presented component unit of the State, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in the reporting period, there will be a variance between the note disclosures and the financial statements for some pension-related items.

Public Employees' Retirement Board

The Public Employees' Retirement Board (PERB) oversees eight defined benefit plans: Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP); Judges' Retirement System (JRS); Highway Patrol Officers' Retirement System (HPORS); Sheriffs' Retirement System (SRS); Game Wardens' and Peace Officers' Retirement System (GWPORS); Municipal Police Officers' Retirement System (MPORS); Firefighters' Unified Retirement System (FURS); and Volunteer Firefighters' Compensation Act (VFCA). The PERB also oversees one defined contribution plan: Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP), and the education funds related to the pension plans. All benefit plans, defined benefit and defined contribution, are administered by the Montana Public Employees' Retirement Administration (MPERA). Separately issued financial statements and actuarial reports can be obtained at 100 North Park, Suite 200, PO Box 200131, Helena, MT 59620-0131. The financial statements and the latest actuarial valuation may also be obtained here: <http://mpera.mt.gov/>. The financial statements for the PERS-DBRP include activity for the defined benefit plan and the associated education fund. The PERS-DCRP financial statements include activity for the defined contribution plan and the associated education fund.

The PERB is an independent, seven-member board, appointed by the Governor. The members are assigned five-year, staggered terms. The PERB consists of two members at large, two active defined benefit public employees, one active defined contribution public employee, one member experienced in investments, and one retired public employee. The PERB approves the annual operating budget, developed by MPERA management, before the beginning of the fiscal year. As governed by statute, the PERB's defined benefit administrative expenses may not exceed 1.5% of the total defined benefit plan retirement benefits paid. In addition, the PERB decides legislative policy and priorities, hires the executive director, establishes the policies and procedures that govern operations at MPERA, and hears and rules on appeal matters of disabilities, retirees, and members. PERB members do not receive compensation for their service to the MPERA but are reimbursed for necessary expenses incurred while serving.

All defined benefit pension plans provide retirement, disability, and death benefits to the plan members and their beneficiaries. The PERS-DCRP Disability OPEB Plan provides a defined benefit for disabled members of the PERS-DCRP. Beneficiaries do not receive disability benefits but may attain retirement benefits from the PERS-DCRP. A summary of the plan eligibility and benefits are found in the Summary of Benefits sections throughout Note 6.

Teachers' Retirement System

The Teachers' Retirement System (TRS) is a defined benefit plan administered by the Teachers Retirement Board (TRB). The plan prepares a publicly issued annual comprehensive financial report that includes financial statements and required supplementary information for TRS. Separately issued financial statements, actuarial valuations, and experience studies can be obtained at 100 N Park Avenue, Suite 110, PO Box 200139, Helena, MT 59620-0139, or can be found online at <https://trs.mt.gov/>.

The TRB consists of six members, all of whom are appointed by the Governor. Three TRB members must be teaching professionals who, when appointed, are active members of TRS; at least one of them must be an active classroom teacher. One TRB member must be a retired teacher who was a member of TRS at the time of retirement. Two TRB members are appointed from the public at large. TRB members serve staggered, five-year terms. Three TRB members constitute a quorum.

A summary of the number of participating employer and nonemployer contributing entities as of June 30, 2022, follows:

Classification of Participant	GWPORS	PERS-DBRP	PERS-DCRP	SRS	MPORS	FURS	VFCA	TRS
Employer	7	553	344	57	36	27	225	362
Nonemployer contributing entity	—	1	—	—	1	1	1	1
Total Participants	7	554	344	57	37	28	226	363

There are 630 State employees who are eligible to participate in defined benefit pension plans, other than the plans listed above.

B. Summary of Significant Accounting Policies

The MPERA prepares its financial statements using fund accounting principles and the accrual basis of accounting. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. Plan member contributions, employer contributions, and related receivables are recognized as revenues in the accounting period in which they are earned and become measurable, pursuant to formal commitments and statutory requirements. Benefit payments and refunds/distributions are recognized in the accounting period in which they are due and payable in accordance with the terms of each plan. Administrative and other expenses, and the associated liabilities, are recognized in the period the liability is incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end for defined benefit administrative expenses that are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end. Costs specifically related to the computer system upgrades are charged directly to the individual plans. The MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

The TRS prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the net pension liability, deferred inflows of resources, and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position of the TRS, and additions to/deductions from TRS's fiduciary net position, the items have been determined on the same accrual basis as they are reported by the TRS. For this purpose, plan contributions are recognized as of employer payroll paid dates. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The TRS adheres to all applicable GASB statements.

The pension trust fund financial statements presented in this report are prepared using the accrual basis of accounting in the same manner as that described for the pension plan administrators above.

C. Summary of All Public Employee Retirement Plans

A summary of classes of members in JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, TRS, and PERS-DCRP, covered by benefit terms at June 30, 2022, follows:

Type of Plan for Reporting Purposes	Single-Employer Defined Benefit			Multi-Employer Defined Benefit						Multi-Employer Defined Contribution
Plan Designation	JRS	HPORS ⁽¹⁾	GWPORS	PERS-DBRP ⁽²⁾	SRS	MPORS ⁽¹⁾	FURS	VFCA ⁽⁵⁾	TRS	PERS-DCRP
Classification of Member										
Active	59	252	977	28,508	1,481	841	749	2,233	19,975	3,386
Inactive entitled to, but not yet receiving, benefits or a refund:	—	—	—	—	—	—	—	—	—	—
Vested	2	19	170	4,790	211	123	51	836	2,015	997
Non-vested	2	38	589	23,110	914	212	93	8,397	5,656	1,283
Inactive members and beneficiaries currently receiving benefits:	—	—	—	—	—	—	—	—	—	—
Service retirements ⁽³⁾	69	345	430	24,481	786	880	674	1,517	15,203	152
Disability retirements	—	3	3	102	31	25	13	1	183	10
Survivor benefits ⁽⁴⁾	5	9	12	545	23	28	17	6	1,983	3
Total membership	137	666	2,181	81,536	3,446	2,109	1,597	12,990	45,015	5,831

⁽¹⁾ Includes Deferred Retirement Option Plan (DROP) in the Active count.

⁽²⁾ The inactive non-vested count includes dormant accounts that were previously not counted.

⁽³⁾ Includes "Alternative Payees" and "Death After Retirement" benefit payments. As of Fiscal Year 2019, the TRS plan stopped reporting separate benefit recipient categories.

⁽⁴⁾ Includes "Death Before Retirement" benefit payments.

⁽⁵⁾ The VFCA Inactive Non-Vested count is being included in the membership count. Prior to Fiscal Year 2022 the count was not included in the actuarial funding valuation.

The following table represents the aggregate proportional share of the pension amounts for all defined benefit plans from the perspective of the State as the employer and/or nonemployer contributing entity for primary government, discretely presented component units, and fiduciary component units reported as of June 30, 2022, based on the actuarial valuation as of June 30, 2020 (amounts presented in thousands):

Aggregate Pension Amounts - All Defined Benefit Plans

	Primary Government			Discretely Presented Component Units ⁽¹⁾	Fiduciary Component Units	TOTAL
	State as Employer	State as Nonemployer Contributing Entity	Total Primary Government			
Net Pension Liabilities	\$ 914,227	\$ 1,012,358	\$ 1,926,585	\$ 160,424	\$ 1,417	\$ 2,088,426
(Net Pension Assets)	(59,202)	—	(59,202)	—	—	(59,202)
Pension Deferred Outflows of Resources	366,393	300,829	667,222	71,033	442	738,697
Pension Deferred Inflows of Resources	542,727	425,159	967,886	68,309	584	1,036,779
Pension Expense or Nonemployer Contributing Entity Grant Expense	87,976	138,541	226,517	22,180	140	248,837

⁽¹⁾ MSF pension deferred outflows of resources difference of \$915.6 thousand is due to MSF reporting on a calendar year-end basis on financial statements with a 6-month subsequent contribution while a 12-month subsequent contribution is disclosed in Note 6.

D. Defined Benefit Retirement Plans

The information below includes all defined benefit retirement plans administered by MPERA and TRS.

(1) Plan Descriptions and Funding Policies

Judges' Retirement System – The JRS, administered by the MPERA, is a single-employer defined benefit plan established in 1967 and governed by Title 19, chapters 2 & 5, MCA (Montana Code Annotated). This plan provides retirement benefits for all Montana judges of the district courts, justices of the Supreme Court, the Chief Water Judge, and the Associate Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation. Member rights are vested after five years of service.

Summary of Benefits

Member's current salary¹ or highest average compensation (HAC)²

¹Hired prior to July 1, 1997, and non-Guaranteed Annual Benefit Adjustment (GABA) – monthly compensation at time of retirement;

²Hired on or after July 1, 1997, or electing GABA – HAC during any consecutive 36 months;

²Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Age 60, 5 years of membership service;

Any age with 5 years of membership service – involuntary termination, actuarially reduced.

Vesting

5 years of membership service.

Monthly benefit formula

3.33% of current salary¹ (non-GABA) or HAC² (GABA) per year of service credit for the first 15 years of service credit, plus 1.785% per year for each year after 15 years.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)

If hired prior to July 1, 1997, and member did not elect GABA – current salary of an active member in same position is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Plan members are required to contribute 7.0% of the member's monthly compensation.

Employer contributions to the system – During the 2021 Legislative Session, Senate Bill 175 was passed suspending the employer contributions beginning the first full pay period occurring in July 2021 through the last full pay period occurring in June 2023. Beginning July

1, 2023, employer contributions will then resume at a reduced rate of 14.00% down from the current statutory rate of 25.81%. If the funded ratio of the JRS drops below 120%, the employer contribution rate will return to 25.81%. This impacts measurement date June 30, 2022, for employer reporting date June 30, 2023.

Highway Patrol Officers' Retirement System – The HPORS, administered by the MPERA, is a single-employer defined benefit plan established on July 1, 1945, and governed by Title 19, chapters 2 & 6, MCA. This plan provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability, and death benefits to plan members and their statutory beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after 5 or 10 years of service.

Section 19-6-709, MCA provides eligible members retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by a statutory appropriation requested by the PERB from the General Fund. Factors impacting eligibility include the number of years the recipient has received a service retirement or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19, MCA.

Deferred Retirement Option Plan (DROP)

Beginning October 1, 2015, eligible members of HPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 6, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the HPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory employer contributions continue to the retirement system; mandatory employee contributions are deposited to the member's DROP account. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the Internal Revenue Service (IRS). If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2022, the balance held by MPERA for HPORS DROP participants was approximately \$6.2 million.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2013 – HAC during any consecutive 36 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

Hired prior to July 1, 2013 – 5 years of membership service, actuarially reduced from age 60.

Hired on or after July 1, 2013 – 10 years of membership service, actuarially reduced from age 60.

Second Retirement (applies to retirement system members who return on or after July 1, 2017, to active service covered by the system from which they retired):

- a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.
- b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - the same retirement benefit previously paid to the member; and
 - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - on the initial retirement benefit starting January immediately following second retirement; and
 - on the second retirement benefit starting in January after receiving that benefit for at least 12 months
- c. A member who returns to covered service is not eligible for a disability benefit.

Vesting

Hired prior to July 1, 2013 – 5 years of membership service.

Hired on or after July 1, 2013 – 10 years of membership service.

Monthly benefit formula

Retire prior to July 1, 2013 – 2.5% of HAC per year of service credit.

Retire on or after July 1, 2013 – 2.6% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Hired on or after July 1, 2013 – after the member has completed 36 full months of retirement, the member's benefit increase by a maximum of 1.5% each January, inclusive of all other adjustments to the member's benefit.

Minimum Monthly Benefit (non-GABA)

If hired prior to July 1, 1997, and member did not elect GABA – the minimum monthly benefit is equal to 2% of the service credit multiplied by the current base compensation of a probationary highway patrol officer. Any annual increase is limited to 5.0% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employer.

Hired prior to July 1, 1997, and not electing GABA – Plan members are required to contribute 13.00%.

Hired after June 30, 1997, and electing GABA – Plan members are required to contribute 13.05%.

Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Employer contributions to the system – As the employer, the State is required to contribute 38.33% of a member's compensation. The first 28.15% is payable from the same sources used to pay a member's compensation. The remaining amount, equal to 10.18%, is payable from the General Fund through a statutory appropriation. Employer contributions and state contributions (if any) must be paid on all working retirees.

Game Wardens' & Peace Officers' Retirement System – The GWPORS, administered by the MPERA, is a multi-employer, cost-sharing defined benefit plan established in 1963, and governed by Title 19, chapters 2 & 8, MCA. This plan provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

The State of Montana and its discretely presented component units are the only employers who participate in the GWPORS. Therefore, while the plan is considered to be a multi-employer, cost-sharing defined benefit plan for actuarial valuation purposes, in accordance with GASB 68, the plan is treated as if it were a single-employer defined benefit pension plan type for financial reporting.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Service Retirement

Age 50, 20 years of membership service.

Early Retirement (reduced benefit)

Age 55 with 5 years of membership service.

Vesting

5 years of membership service.

Monthly benefit formula

2.5% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.56% of member's compensation. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Employer contributions to the system – State agency and university employers are required to contribute 9.0% of a member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

Public Employees' Retirement System - Defined Benefit Retirement Plan – The PERS-DBRP, administered by the MPERA, is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 & 3, MCA. This plan covers employees of the State and local governments, and certain employees of the Montana University System and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the defined contribution and defined benefit retirement plans. All new members from the universities also have a third option to join the university system's Montana University System-Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – HAC during any consecutive 36 months;

Hired on or after July 1, 2011 – HAC during any consecutive 60 months;

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011 –

Age 60, 5 years of membership service;

Age 65, regardless of membership service; or

Any age, 30 years of membership service.

Hired on or after July 1, 2011 –

Age 65, 5 years of membership service;

Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011 –

Age 50, 5 years of membership service; or

Any age, 25 years of membership service.

Hired on or after July 1, 2011 – Age 55, 5 years of membership service.

Second retirement (all require returning to PERS-covered employment or PERS service):

Retire before January 1, 2016, and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016, and accumulate less than 5 years' additional service credit:

- A refund of member's contributions from second employment plus regular interest (0.77%);
- No service credit for second employment;
- Start the same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement

Retire before January 1, 2016, and accumulate at least 2 years of additional service credit:

- A recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months

Retire on or after January 1, 2016, and accumulate 5 or more years of additional service credit:

- The same retirement benefit as prior to their return to service;
- A second retirement benefit for second period of service based on laws in effect at second retirement;
- GABA starts on both benefits in the January after receiving the original and new benefit for 12 months

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011 –

Less than 25 years of membership service: 1.785% of HAC per year of service credit;
25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011 –

Less than 10 years of membership service: 1.5% of HAC per year of service credit;
10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA) – After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - 0% whenever the amortization period for PERS is 40 years or more.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system: Contributions are deducted from each member's salary and remitted by participating Employers. Plan members are required to contribute 7.90% of member's compensation. The 7.90% member contribution rate is temporary and

will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional Employer and additional member contribution rates.

Employer contributions to the system

State and University System employers are required to contribute 8.97% of member compensation.

Local government entities are required to contribute 8.87% of member compensation.

School district employers contributed 8.60% of member compensation.

Per the 2013 Legislative Session's House Bill 454, section 4, effective July 1, 2013, PERS employer contributions temporarily increased 1%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The Employer additional contributions, including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. As of January 1, 2022, the additional contributions will not be terminated.

Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

The portion of employer contributions allocated to the Plan Choice Rate (PCR) are included in the employer's reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.

Non-Employer Entity Contributions

Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities.

The State contributes 0.37% of member compensation on behalf of school district entities.

The State contributes a statutory appropriation from the General Fund. Funding provided for the year ended June 30, 2021, totaled \$34.3 million.

Sheriffs' Retirement System – The SRS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and highest average compensation.

Summary of Benefits

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's HAC.

Eligibility for benefit

Service Retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service, actuarially reduced.

Second Retirement (applies to retirement system members re-employed in a SRS position on or after July 1, 2017):

- a. If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA in January immediately following the second retirement.
- b. If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service receives:
 - the same retirement benefit previously paid to the member; and
 - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - on the initial retirement benefit starting in January immediately following second retirement; and
 - on the second retirement benefit starting in January after receiving that benefit for at least 12 months
- c. A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service

Monthly benefit formula

2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

Contributions to the Plan

Rates are specified by state law for periodic employee and employer contributions and are a percentage of the member's compensation. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by participating employers. Plan members are required to contribute 10.495% of member's compensation. Member contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Employer contributions to the system – The employers are required to contribute 13.115% of member compensation. Employer contributions are required to be paid on working retiree compensation.

Municipal Police Officers' Retirement System – The MPORS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9, MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation.

Deferred Retirement Option Plan (DROP)

Beginning July 2002, eligible members of the MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, Chapter 9, Part 10, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2022, the balance held by MPERA for MPORS DROP participants was approximately \$9.7 million.

The State is not an employer participant in the MPORS plan. However, because the PERB is a fiduciary component unit of the State, this ACFR presents certain information to help ensure compliance with GASB 67. In addition, the State provides nonemployer entity contributions classified as special funding in accordance with GASB 68. Disclosures made in this financial report for MPORS are meant to reflect the aforementioned relationships.

Summary of Benefits

Member's final average compensation (FAC)

Hired prior to July 1, 1977 – average monthly compensation of final year of service;

Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's FAC.

Eligibility for benefit

Service Retirement: Age 50, with 5 years of membership service, or 20 years of membership service, regardless of age.

Second Retirement: Age 50, reemployed in a MPORS position

Vesting

Death and disability rights are vested immediately.

5 years of membership service.

Monthly benefit formula

2.5% of FAC per year of service credit.

Second retirement benefit formula for members re-employed in a MPORS position after July 1, 2017:

- (1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- (2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- (3) A member who returns to covered service is not eligible for a disability benefit.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA) If hired before July 1, 1997, and member did not elect GABA – the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed officer of the employer where the member was last employed.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions – Contribution rates are dependent upon the date of hire as a police officer. Contributions are deducted from each member's salary and remitted by the participating Employer. For fiscal year 2022:

- If hired prior to July 1, 1975, member contributions as a percentage of salary are 5.80%
- If hired after June 30, 1975, and prior to July 1, 1979, member contributions as a percentage of salary are 7.00%;
- If hired after June 30, 1979, and prior to July 1, 1997, member contributions as a percentage of salary are 8.50%; and,
- If hired on or after July 1, 1997, and for members electing GABA, member contributions as a percentage of salary are 9.00%.
- Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Employer Contributions – Employers are required to contribute 14.41% of a member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

Nonemployer Entity Contributions – The State contributes 29.37% of a member's compensation from the General Fund. These amounts are considered a special funding situation in accordance with GASB 68.

Firefighters' Unified Retirement System – The FURS, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and compensation.

Summary of Benefits

Member's compensation

Hired prior to July 1, 1981, and not electing GABA – highest monthly compensation (HMC);
Hired after June 30, 1981, and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

Part-time firefighter – 15% of regular compensation of a newly confirmed full-time firefighter.

Eligibility for benefit

Service retirement: 20 years of membership service, regardless of age.

Early Retirement: Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately

5 years of membership service.

Monthly benefit formula

Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of:

2.5% of HMC per year of service; or

- if less than 20 years of service – 2% of HMC for each year of service;
- if more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981, and those electing GABA: 2.5% of HAC per year of membership service.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997, and the member did not elect GABA, the monthly retirement, disability, or survivor's benefit may not be less than 50% of the compensation of a newly confirmed active firefighter of the employer that last employed the member.

Contributions to the Plan

Rates are specified by state law for periodic employee, employer, and nonemployer entity contributions. The Legislature has the authority to establish and amend contribution rates to the plan.

Member contributions to the system – Contributions are deducted from each member's salary and remitted by the participating employer. For members:

Hired prior to July 1, 1997, and not electing GABA, member contributions as a percentage of salary are 9.50%;

Hired on or after July 1, 1997, and electing GABA, member contributions as a percentage of salary are 10.70%.

Member contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Employer contributions to the system – Employers are required to contribute 14.36% of member's compensation. Employer contributions and state contributions (if any) must be paid on all working retirees.

Nonemployer entity contributions to the system – The State contributes 32.61% of a member's compensation from the General Fund.

Volunteer Firefighters' Compensation Act – The VFCA, administered by the MPERA, is a multiple-employer, cost-sharing defined benefit plan that was established in 1965, and governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability, and survivorship benefits for all eligible volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages, and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. The VFCA also provides limited benefits for death or injuries incurred in the line of duty. A member who chooses to retire and draw a pension benefit may return to service with a volunteer fire department without loss of benefits. However, a returning retired member may not be considered an active member accruing credit for service.

Summary of Benefits

Eligibility for benefit

Age 55, 20 years of credited service;

Age 60, 10 years of credited service.

Effective July 1, 2011, members who retire on or after July 1, 2011, and have greater than 30 years of credited service will receive \$7.50 per month for each additional year of credited service over 30 years if the pension trust fund is actuarially sound, amortizing any unfunded liabilities in 20 years or less. This determination will be made annually and a member's benefit will be capped at \$250 a month (30 years of credited service) if the amortization period grows to greater than 20 years.

Vesting

10 years of credited service.

Monthly benefit formula (effective January 1, 2016)

\$8.75 per year of credited service up to 20 years;

\$7.50 per year of credited service after 20 years

Contributions to the Plan

The State, as a nonemployer contributing entity, is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. This requires the plan to be treated as a special funding situation in accordance with GASB 68. The State Auditor makes annual payments from

the General Fund to the VFCA fund. Rates are specified by state law for contributions to the VFCA plan. The State legislature has the authority to establish and amend contribution rates to the plan.

Teachers' Retirement System – The TRS is administered by the Teachers' Retirement Board (TRB), which is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan that provides retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school, community college, or unit of the university system. The TRS, as an employer, does not participate in the plan and acts only as the administrator of the plan.

The TRB is the governing body of the TRS, and the TRS's staff administer the TRS in conformity with the laws set forth in Title 19, chapter 20, MCA, and administrative rules set forth in Title 2, chapter 44 of the Administrative Rules of Montana.

Summary of Benefits

Through June 30, 2013, all members enrolled in TRS participated in a single-tiered plan ("Tier One"). Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. Benefits are established by state law and can only be amended by the Legislature.

Beginning July 1, 2013, new members in TRS participate in a second benefit tier ("Tier Two"), which differs from Tier One as follows:

- Tier Two uses a 5-year average final compensation (AFC) (as opposed to 3-year AFC in Tier One)
- Tier Two provides for unreduced service retirement benefits at age 60 with 5 years of creditable service or at age 55 with at least 30 years of creditable service (rather than at age 60 with 5 years of service or at any age with creditable service in 25 years in Tier One)
- Tier Two provides for early retirement benefits with 5 years of creditable service at age 55 (rather than age 50 in Tier One)
- Tier Two has one percent higher normal employee contribution rate (though a temporary 1% supplemental employee contribution rate is also currently in place for Tier One members), and
- Tier Two provides for an enhanced benefit calculation—1.85% of the AFC multiplied by the years of creditable service—for members retiring with at least 30 years of creditable service and at least 60 years of age (rather than $1.6667 \times \text{AFC} \times \text{years of creditable service}$)

A guaranteed annual benefit adjustment (GABA) is payable on January 1 of each calendar year for each retiree who has received at least 36 monthly retirement benefit payments prior to that date. The GABA is applicable to both Tier One and Tier Two members. The GABA for Tier One members is 1.5% of the benefit payable as of January 1. For Tier Two members, the GABA each year may vary from 0.5% to 1.5% based on the retirement system's funding status and the period required to amortize any unfunded accrued actuarial liability as determined in the prior actuarial valuation.

Contributions to the System

All active employees in the TRS, regardless of employer type, are required to provide a contribution equal to 8.15% of their compensation.

All State and University employers are required to contribute 11.65% of compensation provided to an active, non-reemployed member. All school districts and other employers are required to contribute 9.27% of an active, non-reemployed, member's compensation to the System.

Section 19-20-605, MCA, requires each employer to contribute 9.85% of total compensation paid to all reemployed TRS retirees employed in a TRS reportable position. Pursuant to Section 19-20-609, MCA,

this amount shall increase by 1.00% for fiscal year 2014 and increase by 0.10% each fiscal year through 2024 until the total employer contribution is equal to 11.85% of reemployed retiree compensation.

The TRS receives a portion of the total required statutory contributions directly from the State for all employers. The employers are considered to be in a special funding situation, and the State is treated as a nonemployer contributing entity in the TRS. The System receives 0.11% of earned compensation from the General Fund for all TRS members. The TRS also receives 2.38% of earned compensation from the General Fund for TRS members employed at school districts, community colleges, educational cooperatives, and counties in Montana. Finally, the State is also required to contribute \$25.0 million in perpetuity payable July 1 of each year. The Legislature has the authority to establish and amend contribution rates to the plan.

(2) Actuarial Assumptions

For all plans administered by MPERA, the total pension liability used to calculate the net pension liability/ (asset) for each plan was determined by an actuarial valuation date indicated in the table below using the following actuarial assumptions, applied to all periods included in the measurement, with update procedures used to roll forward the total pension liability to June 30, 2021. For the TRS plan, the total pension liability used to calculate the net pension liability as of June 30, 2021, is based on the results of an actuarial valuation as of July 1, 2021. Therefore, no update procedures were used for TRS to roll forward the total pension liability to the measurement date. The significant assumptions and other inputs used to measure the total pension liability were the following:

Plan	JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Administrator	MPERA								TRS
Valuation Date	June 30, 2020								July 1, 2021
Actuarial Experience Study	May 2017								May 2018
Inflation	2.40%								2.40 %
Total Wage Increases, including inflation	3.50%	3.50% to 10.02%	3.50% to 10.02%	3.50% to 8.47%	3.50% to 10.02%	3.50% to 10.33%	3.50% to 10.02%	N/A	3.25% to 7.76% for non-university members 4.25% for university members
General Wage Growth	3.50%								3.25 %
Merit Increase	None	0 to 6.30%	0 to 6.30%	0 to 4.80%	0 to 6.30%	0 to 6.60%	0 to 6.30%	N/A	0 to 4.51% for non-university members 1.00% for university members
Investment Return	7.06%								7.06 %
Administrative Expense as a % of Payroll	0.11%	0.23%	0.17%	0.28%	0.17%	0.18%	0.17%	\$293.5 thousand	0.46 %

Post-retirement Benefit Increases and GABA	7/1/1997 or elected GABA - 3.0%	7/1/1997 or elected GABA - 3.0% 7/1/2013 - 1.5%	Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%	Pre-7/1/2007 - 3.0% 7/1/2007 through 6/30/2013 - 1.5% 7/1/2013 - (a) 1.5% for each year if PERS is funded at or above 90%; (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and, (c) 0% whenever the amortization period is 40 years or more	Pre-7/1/2007 - 3.0% 7/1/2007 - 1.5%	7/1/1997 or elected GABA - 3.0%	7/1/1997 or elected GABA - 3.0%	N/A	Tier One members - 1.5% Tier Two members - equal to or greater than 0.5% but no more than 1.5%
Post-retirement Benefit Increases - Waiting Period	1 year	Pre-7/1/2013 - 1 year 7/1/2013 - 3 years	1 year	1 year	1 year	1 year	1 year	N/A	3 years
Post-retirement Benefit Increases - Minimum Benefit Adjustment	Pre-7/1/1997 and did not elect GABA: benefits increase same as salary of sitting judge.	Pre-7/1/1997 and did not elect GABA: 2% x service credits x base salary of probationary officer. Limited to 5.0% over current benefit and may not exceed 60% of base salary of probationary officer.	N/A	N/A	N/A	Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new officer	Pre-7/1/1997 and did not elect GABA - 1/2 of monthly salary of new firefighter	N/A	N/A

Mortality	<p>Mortality assumptions among contributing members, terminated vested members, service retired members, and beneficiaries are based on RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, set back one year for males.</p> <p>Mortality assumptions among disabled retirees are based on RP-2000 Combined Employee and Annuitant Mortality Tables.</p>	<p>Mortality among contributing members, service retired members, and beneficiaries are based on RP-2000 Healthy Combined Mortality Table projected to 2022 adjusted for partial credibility setback for two years. The tables include margins for mortality improvements which is expected to occur in the future.</p> <p>Mortality among disabled members are based on RP-2000 Disabled Mortality Table for Males, set back three years, with mortality improvements projected by Scale BB to 2022, and RP-2000 Disabled Mortality Table for Females, set forward two years, with mortality improvements projected by Scale BB to 2022.</p>
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Changes in actuarial assumptions and methods: For JRS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS the discount rate was lowered from 7.34% to 7.06%. For HPORS, the discount rate was increased from 4.43% to 7.06%. For GWPORS, the discount rate was increased from 5.65% to 7.06%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS the investment rate of return was lowered from 7.34% to 7.06%. For JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS the inflation rate remained at 2.40%.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date, for JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS.

Changes in proportionate share: Because the State is the single employer for JRS and HPORS, there were no changes in proportion of the net pension assets for JRS plan and the net pension liability for HPORS plan. Between the measurement date of the net pension liability (asset) and the State's reporting date, the investment rates of return of JRS and HPORS were lower than the investment rates of return assumption. Therefore, the State's net pension assets for JRS are expected to decrease and the State's net pension liability for HPORS are expected to increase.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the State's reporting date, the investment rate of return of GWPORS was lower than the investment rate of return assumption. Therefore, the State's proportionate share of the collective net pension liability as the State's primary government employer, and the State's discretely presented component units are expected to change. The State still reports 100.0% GWPORS plan, and the total plan net pension liability are expected to increase.

Changes in proportionate share: Between the measurement date of the collective net pension liability and the State's reporting date, the investment rates of return of PERS-DBRP, SRS, MPORS, FURS, and TRS plans were lower than the investment rates of return assumption. Therefore, the State's proportionate

share amounts of the collective net pension liability as the State's employer and non-employer contributing entity in applicable plans are expected to increase.

Changes in proportionate share: Because the State is the only contributing entity, there were no changes in proportion of the net pension liability for VFCA plan. The State reports 100.0% VFCA plan. Between the measurement date of the collective net pension liability and the non-employer's reporting date, the investment rate of return of VFCA was lower than the investment rate of return assumption. Therefore, the State's non-employer proportionate share of the collective net pension liability is expected to increase.

(3) Discount Rate

The discount rate used to measure the total pension liability was 7.06% for JRS, HPORS, GWPORS, and SRS. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2106 for JRS, 2129 for HPORS, 2124 for GWPORS, and 2124 for SRS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate for JRS, SRS, HPORS and GWPORS.

The discount rate used to measure the total pension liability for PERS-DBRP, MPORS, and FURS was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, each pension plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2126 for PERS-DBRP, 2134 for MPORS, and 2133 for FURS. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

The discount rate used for VFCA to measure the total pension liability was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from the nonemployer contributing entity will be made based on the PERB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the VFCA's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. A municipal bond rate was not incorporated in the discount rate.

The discount rate used to measure the total pension liability for TRS was 7.06%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entity will be made based on the TRB's funding policy, which establishes the contractually required rates under MCA. Based on those assumptions, the TRS's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A municipal bond rate was not incorporated in the discount rate.

(4) Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the JRS, HPORS, GWPORS, PERS-DBRP, SRS, MPORS, FURS, and VFCA plans administered by MPERA. The most recent analysis of each plan, performed for the six-year period ended June 30, 2016, is outlined in a report dated May 2017, and can be located on the MPERA website. The assumed long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the TRS. The most recent analysis, performed for the period covering fiscal years 2013 through 2017, is outlined in a report dated May 3, 2018. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public pension systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The average long term capital market assumptions published in the Survey of Capital Market Assumptions 2021 Edition by Horizon Actuarial Service, LLC, yield a median real return of 4.66%. Assumed inflation is based on the intermediate inflation assumption of 2.40% in the 2021 OASDI Trustees Report used by the Chief Actuary for Social Security to produce 75 year cost projections. Combining these two results yields a nominal return of 7.06%. All the plans administered by MPERA and TRS have the same target allocation and long-term expected real rate of return. The target allocation and best estimates of the arithmetic real rates of return for each major asset class as of June 30, 2021, are summarized in the table below:

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	6.00%	3.02%
Cash	3.00%	-0.33%
Total	100.00%	

(5) Change in Net Pension Liability (Asset)

A schedule of changes in the net pension liability (asset) is presented for each of the single-employer defined benefit plans (amounts expressed in thousands). The date in the schedules is a measurement date, which is one year earlier than the financial reporting date.

	JRS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balances at 6/30/2020	\$ 69,521	\$ 106,066	\$ (36,545)
Service costs	1,897	—	1,897
Interest	4,949	—	4,949
Difference between expected and actual experience	376	—	376
Changes of assumptions	1,870	—	1,870
Contributions – employer	—	2,139	(2,139)
Contributions – member	—	589	(589)
Net investment income	—	29,150	(29,150)
Refunds of contributions	—	—	—
Benefit payments	(4,205)	(4,205)	—
Plan administrative expense	—	(126)	126
Other changes	—	(3)	3
Net changes	4,887	27,544	(22,657)
Balances at 6/30/2021	\$ 74,408	\$ 133,610	\$ (59,202)

	HPORS		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 6/30/2020	\$ 385,799	\$ 151,968	\$ 233,831
Service costs	7,578	—	7,578
Interest	16,742	—	16,742
Difference expected and actual experience	1,913	—	1,913
Changes in assumptions	(125,247)	—	(125,247)
Contributions – employer	—	6,423	(6,423)
Contributions – non-employer (State)	—	224	(224)
Contributions – member	—	2,206	(2,206)
Net investment income	—	41,277	(41,277)
Refund of contributions	(2,026)	(2,026)	—
Benefit payments	(13,710)	(13,710)	—
Plan administrative expense	—	(342)	342
Other changes	—	(40)	40
Net changes	(114,750)	34,012	(148,762)
Balances at 6/30/2021	\$ 271,049	\$ 185,980	\$ 85,069

GWPORS

	<u>State as Primary Government Employer</u>			<u>State's Discretely Presented Component Units</u>			<u>Total State (Plan)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balances at 6/30/2020	\$ 330,410	\$ 202,108	\$ 128,302	\$ 17,660	\$ 10,802	\$ 6,858	\$ 348,070	\$ 212,910	\$ 135,160
Service costs	11,775		11,775	540		540	12,315	—	12,315
Interest	18,529		18,529	850		850	19,379	—	19,379
Difference between expected and actual experience	4,711		4,711	216		216	4,927	—	4,927
Changes in assumptions	(65,676)		(65,676)	(3,012)		(3,012)	(68,688)	—	(68,688)
Contributions – employer		5,174	(5,174)		237	(237)	—	5,411	(5,411)
Contributions – member		6,113	(6,113)		280	(280)	—	6,393	(6,393)
Net investment income		56,535	(56,535)		2,593	(2,593)	—	59,128	(59,128)
Refunds of contributions	(832)	(832)	—	(38)	(38)	—	(870)	(870)	—
Benefit payments	(8,876)	(8,876)	—	(407)	(407)	—	(9,283)	(9,283)	—
Plan administrative expense		(224)	224		(10)	10	—	(234)	234
Other changes ⁽¹⁾	2,399	1,407	992	(2,399)	(1,470)	(929)	—	(63)	63
Net changes	(37,970)	59,297	(97,267)	(4,250)	1,185	(5,435)	(42,220)	60,482	(102,702)
Balances at 6/30/2021	\$ 292,440	\$ 261,405	\$ 31,035	\$ 13,410	\$ 11,987	\$ 1,423	\$ 305,850	\$ 273,392	\$ 32,458

⁽¹⁾ The Changes in Net Pension Liability table is only provided at the system level. The ending balances and the components of the changes are derived from the primary government's proportionate share of the total plan balances and the discretely presented component unit's proportionate share of the total plan balances. Due to the change in proportionate share in each year, the other changes line item includes the difference between the proportionate share of the balances and the preliminary calculated balances.

(6) Sensitivity Analysis

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability/(asset) to changes in the discount rate, the table below presents the net pension liability/(asset), of the plans administered by MPERA and TRS, calculated using the discount rate of 7.06% for all plans; as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower (6.06% for all plans) or 1.00% higher (8.06% for all plans) than the current rate.

Sensitivity of the Plan Participating Employer and Nonemployer Contributing Entities Net Pension Liability (Asset) to Changes in the Discount Rate (amounts expressed in thousands)											
Plan			JRS	HPORS	GWPORS	PERS-DBRP	SRS	MPORS	FURS	VFCA	TRS
Primary Government	State as Employer	1.0% Decrease	\$ (51,840)	\$ 123,699	\$ 75,535	\$ 1,230,812	\$ 7,835	\$ —	\$ 4,880	\$ —	\$ 25,069
		Current	(59,202)	85,069	31,035	775,391	3,709	—	2,151	—	16,872
		1.0% Increase	(65,538)	54,050	(5,181)	393,398	343	—	(35)	—	10,032
	State as NER	1.0% Decrease	—	—	—	379,195	—	199,349	131,391	6,460	880,185
		Current	—	—	—	238,887	—	121,842	57,910	1,323	592,396
		1.0% Increase	—	—	—	121,200	—	60,230	(949)	(3,005)	352,241
Discretely Presented Component Units	1.0% Decrease	—	—	3,464	222,226	—	—	—	—	28,233	
	Current	—	—	1,423	139,999	—	—	—	—	19,002	
	1.0% Increase	—	—	(238)	71,029	—	—	—	—	11,299	
Fiduciary Component Units	1.0% Decrease	—	—	—	2,249	—	—	—	—	—	
	Current	—	—	—	1,417	—	—	—	—	—	
	1.0% Increase	—	—	—	719	—	—	—	—	—	
Total	1.0% Decrease	(51,840)	123,699	78,999	1,834,482	7,835	199,349	136,271	6,460	933,487	
	Current	(59,202)	85,069	32,458	1,155,694	3,709	121,842	60,061	1,323	628,270	
	1.0% Increase	\$ (65,538)	\$ 54,050	\$ (5,419)	\$ 586,346	\$ 343	\$ 60,230	\$ (984)	\$ (3,005)	\$ 373,572	

(7) Net Pension Liability (Asset), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

In accordance with GASB 68, the employer is required to recognize and report certain amounts associated with its participation in the JRS, HPORS, and GWPORS, the plans the State participates in as a single-employer. GASB 68 became effective June 30, 2015, and includes requirements for participant to record and report its net pension liability (NPL) or net pension asset (NPA), pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. In accordance with GASB 68, employers and the nonemployer contributing entities are required to recognize and report certain amounts associated with their participation in the PERS-DBRP, SRS, MPORS, FURS, VFCA, and TRS. GASB 68 became effective June 30, 2015, and includes requirements for participants to record and report their proportionate share of the collective net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources associated with pensions. The proportionate shares were determined based on contributions made to the plan by employers and the nonemployer contributing entity in a special funding situation, when a plan has the nonemployer contributing entity, during the measurement period July 1, 2020, through June 30, 2021, relative to the total contributions received from all participating employers and the nonemployer contributing entity. Due to the existence of the special funding situation in the PERS-DBRP, FURS, MPORS, VFCA, and TRS, the State is required to report a proportionate share of the collective net pension liability that is associated with the non-State employers in these plans, respectively.

Net Pension Liability (Asset): The following presents the state's net pension liability as of June 30, 2022 (amounts presented in thousands):

Plan as of Measurement Date		Net Pension Liability (Asset) as of 6/30/2020	Net Pension Liability (Asset) as of 6/30/2021	Percent of NPL/NPA as of 6/30/2020	Percent of NPL/NPA as of 6/30/2021	Change in Percent of NPL/NPA
JRS	Primary government	\$ (36,545)	\$ (59,202)	100 %	100 %	— %
HPORS	Primary government	233,831	85,069	100 %	100 %	— %
GWPORS	Primary government	128,302	31,035	94.926189 %	95.615426 %	0.689237 %
	Discretely presented component units	<u>6,858</u>	<u>1,423</u>	<u>5.073811 %</u>	<u>4.384574 %</u>	<u>(0.689237)%</u>
	State of Montana totals	135,160	32,458	100 %	100 %	— %

Collective Net Pension Liability: The following presents the state's proportionate share of the collective net pension liability as of June 30, 2022 (amounts presented in thousands).

Plan as of Measurement Date		Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
PERS-DBRP	Primary government	\$ 1,088,713	\$ 775,391	41.267072 %	42.763145 %	1.496073 %
	Discretely presented component units	202,017	139,999	7.657348 %	7.720995 %	0.063647 %
	Fiduciary component units	1,921	1,417	0.072815 %	0.078149 %	0.005334 %
	Nonemployer contributing entity	<u>375,032</u>	<u>238,887</u>	<u>14.215404 %</u>	<u>13.174701 %</u>	<u>(1.040703)%</u>
	State of Montana totals	1,667,683	1,155,694	63.212639 %	63.736990 %	0.524351 %
SRS	Primary government	5,800	3,709	4.758893 %	5.092398 %	0.333505 %
MPORS	Nonemployer contributing entity	163,514	121,842	66.853347 %	67.024527 %	0.171180 %
FURS	Primary government	3,722	2,151	2.378643 %	2.513625 %	0.134982 %
	Nonemployer contributing entity	<u>105,867</u>	<u>57,910</u>	<u>67.656380 %</u>	<u>67.671029 %</u>	<u>0.014649 %</u>
	State of Montana totals	109,589	60,061	70.035023 %	70.184654 %	0.149631 %
VFCA	Nonemployer contributing entity	9,106	1,323	100 %	100 %	— %
TRS	Primary government	22,906	16,872	1.018287 %	1.018546 %	0.000259 %
	Discretely presented component units	28,906	19,002	1.285043 %	1.147083 %	(0.137960)%
	Nonemployer contributing entity	<u>822,282</u>	<u>592,396</u>	<u>36.554642 %</u>	<u>35.761137 %</u>	<u>(0.793505)%</u>
	State of Montana totals	874,094	628,270	38.857972 %	37.926766 %	(0.931206)%

Pension Expense

The State recognized the following pension expenses for the State as the primary government employer, the State's discretely presented component units, and the State's fiduciary component units, and pension grant expenses for the State as nonemployer contributing entity, for the year ended June 30, 2022 (amounts presented in thousands):

Plan	Primary Government				Total
	State as Employer	State as Nonemployer Contributing Entity	Discretely Presented Component Units	Fiduciary Component Units	
JRS	\$ (4,215)	\$ —	\$ —	\$ —	(4,215)
HPORS	11,154	—	—	—	11,154
GWPORS	5,537	—	120	—	5,657
PERS-DBRP ⁽¹⁾	73,366	68,080	9,456	140	151,042
SRS	(44)	—	—	—	(44)
MPORS ⁽²⁾	—	20,142	—	—	20,142
FURS ⁽³⁾	435	11,699	—	—	12,134
VFCA ⁽⁴⁾	—	798	—	—	798
TRS ⁽⁵⁾	1,743	37,822	12,604	—	52,169

⁽¹⁾ Of the total pension expense for the State as a nonemployer contributing entity, \$1.1 million is the grant expense for special funding support provided by the General Fund to local government and school district participants, \$34.6 million is the grant expense for special funding support provided by the General Fund as a statutory appropriation for all participating employers; \$32.3 million is the pension expense that is actuarially allocated to the State as a nonemployer contributing entity.

⁽²⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective MPORS pension expense that is associated with other employer participants in the plan.

⁽³⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective FURS pension expense that is associated with other employer participants in the plan.

⁽⁴⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by a portion of fire tax premiums paid to the State and transferred to MPERS for its proportionate share of the collective VFCA pension expense that is associated with other employer participants in the plan.

⁽⁵⁾ The grant expense for the State as a nonemployer contributing entity is for special funding support provided by the General Fund for its proportionate share of the collective TRS pension expense that is associated with other employer participants in the plan.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the fiscal year ended June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (amounts presented in thousands):

JRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 968	\$ 131
Changes of assumptions	2,358	—
Net difference between projected and actual earnings on pension plan investments	—	13,479
Contributions subsequent to the measurement date	79	—
Totals	\$ 3,405	\$ 13,610

HPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,038	\$ 496
Changes of assumptions	70,527	93,935
Net difference between projected and actual earnings on pension plan investments	—	19,020
Contributions subsequent to the measurement date	6,835	—
Totals	\$ 79,400	\$ 113,451

GWPORS	Primary Government		Discretely Presented Component Units		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,447	\$ 2,971	\$ 204	\$ 136	\$ 4,651	\$ 3,107
Changes in assumptions	49,319	49,257	2,262	2,259	51,581	51,516
Net difference between projected and actual earnings on pension plan investments	—	26,320	—	1,207	—	27,527
Changes in proportion and differences between employer contributions and proportionate share of contributions	924	621	—	302	924	924
Contributions subsequent to the measurement date	4,635	—	243	—	4,878	—
Totals	\$ 59,325	\$ 79,169	\$ 2,709	\$ 3,904	\$ 62,034	\$ 83,074

PERS-DBRP	Primary Government				Discretely Presented Component Units		Fiduciary Component Units	
	State as Employer		State as Nonemployer Contributing Entity					
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8,275	\$ 5,613	\$ 2,549	\$ 1,729	\$ 1,494	\$ 1,013	\$ 15	\$ 10
Change of assumptions	114,850	—	35,384	—	20,736	—	210	—
Net difference between projected and actual earnings on pension plan investments	—	314,119	—	96,775	—	56,715	—	574
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,824	6,796	995	18,613	2,729	566	94	—
Contributions subsequent to the measurement date	63,837	—	20,904	—	13,060	—	123	—
Totals	\$ 214,786	\$ 326,528	\$ 59,832	\$ 117,117	\$ 38,019	\$ 58,294	\$ 442	\$ 584

SRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 480	\$ —
Changes of assumptions	1,405	—
Net difference between projected and actual earnings on pension plan investments	—	2,507
Changes in proportion and differences between employer contributions and proportionate share of contributions	192	—
Contributions subsequent to the measurement date	616	—
Totals	\$ 2,693	\$ 2,507

MPORS	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,875	\$ 1,331
Change of assumptions	23,280	—
Net difference between projected and actual earnings on pension plan investments	—	36,707
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,283	2,243
Contributions subsequent to the measurement date	18,012	—
Totals	\$ 47,450	\$ 40,281

FURS	Primary Government			
	State as Employer		State as Nonemployer Contributing Entity	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 282	\$ 12	\$ 7,582	\$ 315
Change of assumptions	1,101	—	29,646	—
Net difference between projected and actual earnings on pension plan investments	—	1,471	—	39,617
Changes in proportion and differences between employer contributions and proportionate share of contributions	239	1	1,924	2,349
Contributions subsequent to the measurement date	717	—	18,871	—
Totals	\$ 2,339	\$ 1,484	\$ 58,023	\$ 42,281

VFCA	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 221	\$ —
Change of assumptions	1,305	—
Net difference between projected and actual earnings on pension plan investments	—	4,736
Contributions subsequent to the measurement date	2,840	—
Totals	\$ 4,366	\$ 4,736

TRS	Primary Government				Discretely Presented Component Units	
	State as Employer		State as Nonemployer Contributing Entity			
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 265	\$ —	\$ 9,304	\$ —	\$ 298	\$ —
Change of assumptions	1,921	9	67,453	304	2,164	10
Net difference between projected and actual earnings on pension plan investments	—	5,331	—	187,189	—	6,004
Changes in proportion and differences between employer contributions and proportionate share of contributions	803	638	6,721	33,251	13,083	97
Contributions subsequent to the measurement date	1,456	—	47,680	—	14,760	—
Totals	\$ 4,445	\$ 5,978	\$ 131,158	\$ 220,744	\$ 30,305	\$ 6,111

The amounts reported in the tables above as deferred outflows of resources related to pensions resulting from the contributions made subsequent to the June 30, 2021, measurement date will be recognized as a reduction of the net pension liability (asset) in the fiscal year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (amounts presented in thousands):

Year ended June 30:	JRS	HPORS	SRS	MPORS	VFCA
2023	\$ (1,425)	\$ 446	\$ 49	\$ 4,448	\$ (5)
2024	(1,877)	177	37	1,110	(506)
2025	(2,697)	(35,431)	(64)	(4,518)	(1,153)
2026	(4,285)	(6,078)	(452)	(11,883)	(1,546)
2027	—	—	—	—	—
Thereafter	—	—	—	—	—

Year ended June 30:	GWORS		
	Primary Government	Discretely Presented Component Units	Total
2023	\$ (5,098)	\$ (344)	\$ (5,442)
2024	(5,626)	(365)	(5,991)
2025	(5,446)	(348)	(5,794)
2026	(8,309)	(381)	(8,690)
2027	—	—	—
Thereafter	—	—	—

Year ended June 30:	PERS-DBRP			
	Primary Government		Discretely Presented Component Units	Fiduciary Component Units
	State as Employer	State as Nonemployer Contributing Entity		
2023	\$ 13,585	\$ (8,698)	\$ 2,200	\$ 59
2024	(13,022)	(15,224)	(3,732)	(3)
2025	(75,868)	(23,374)	(13,698)	(138)
2026	(100,274)	(30,893)	(18,105)	(183)
2027	—	—	—	—
Thereafter	—	—	—	—

Year ended June 30:	FURS	
	Primary Government	
	State as Employer	State as Nonemployer Contributing Entity
2023	\$ 47	\$ 514
2024	(4)	(982)
2025	(125)	(3,968)
2026	(192)	(7,214)
2027	412	8,521
Thereafter	—	—

Year ended June 30:	TRS		
	Primary Government		Discretely Presented Component Units
	State as Employer	State as Nonemployer Contributing Entity	
2023	\$ (48)	\$ (21,084)	\$ 6,967
2024	(267)	(19,514)	4,030
2025	(982)	(37,269)	342
2026	(1,692)	(59,399)	(1,905)
2027	—	—	—
Thereafter	—	—	—

E. Legal Actuarial Status of Plans

The Montana Constitution, Article VIII, Section 15, and Section 19-2-409, MCA state that public retirement systems shall be funded on an actuarially sound basis. To maintain a fund on an actuarially sound basis, the rate of contributions should fund the normal cost, in addition to amortizing the unfunded liability over a period not to exceed 30 years.

A traditional funding actuarial valuation of each of the defined benefit plans is performed annually. The purpose of the traditional funding actuarial valuation is to measure funding progress and to determine the actuarial determined contribution, contribution sufficiency or deficiency, and other actuarial information necessary for monitoring funding position. The most recent actuarial valuation was performed for fiscal year ended June 30, 2022. The statutory funding rate is tested in the valuation of each public retirement plan to determine if it is sufficient to cover the normal cost rate plus an amortization payment of the unfunded actuarial liability, if any, within 30 years. As of June 30, 2022, Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWORS) were not in compliance and did not amortize within 30 years.

F. Public Employee Defined Contribution Retirement Plans

Public Employees' Retirement System-Defined Contribution Retirement Plan – The Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) is a multiple Employer plan established July 1, 2002, and governed by Title 19, Chapters 2 & 3, MCA. This plan is available to eligible employees of the State, Montana University System, local governments, and school districts. All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to transfer to the PERS-DCRP, or remain in the PERS-DBRP, by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. The PERS-DCRP provides retirement, disability, and death benefits to plan members and their beneficiaries.

Member and employer contribution rates are established by state law and may be amended only by the Legislature. Employees contribute at a rate of 7.90% of their compensation. Contributions made to the plan by an employee remain 100% vested in their interest. Members who achieve 5 years of employment are vested in the plan. Should they terminate prior to this 5-year period, all employer contributions are forfeited to the plan. Amounts forfeited are held in a separate plan forfeiture account and can only be used to pay the administrative expenses, including startup costs, of the plan. Total pension expense for the State as a PERS-DCRP employer for the year ended June 30, 2022, is \$10.3 million and, contribution forfeitures were \$994.6 thousand.

Local government entities contribute 8.87% of member compensation. School district employers contributed 8.60% of member compensation. The State contributes 0.10% of member compensation on behalf of local government entities and 0.37% of member compensation on behalf of school district entities. Each State agency and University employer contributed 8.97% of member compensation.

The total contribution rate of 8.97%, referenced in the preceding paragraph, is allocated as follows: 8.63% to the member's retirement account; 0.04% to the defined contribution education fund; and 0.30% to the defined contribution Other Post Employment Benefit (OPEB) disability plan.

The PERS-DCRP also administers an OPEB disability plan. Refer to PERB's annual financial report for additional information related to this portion of the plan.

G. Montana University System Retirement Program

Montana University System-Retirement Program (MUS-RP) – This system was established in January 1988 and is underwritten by the Teachers Insurance and Annuity Association (TIAA). Effective July 1, 1993, MUS-RP was made the mandatory retirement plan for new faculty and administrative staff with

contracts under the authority of the Board of Regents, previously referred to as the Optional Retirement Program (ORP). The MUS-RP is a defined contribution retirement plan governed by Title 19, Chapter 21, MCA. Combined contributions to the faculty and professional staff plan cannot exceed 13% of the participant's compensation per Section 19-21-203, MCA. Combined contributions to the classified staff plan are 16.97% less 0.04% for education programming paid to Montana Public Employee Retirement Administration (MPERA) per Section 19-3-316, MCA and Section 19-3-315, MCA. The employer contribution to the MUS-RP for classified staff increases 0.10% annually in July per statute.

The benefits at retirement depend upon the amount of contributions, amount of investment gains and losses, and investment allocations by the participant. Individuals are immediately vested for both employee and employer contributions. The Montana University System records employee/employer contributions, and remits monies to TIAA. Total contributions made to the plan by the employer were \$18.6 million, and the total employee contributions were \$21.5 million for the fiscal year ended June 30, 2022.

H. 457(b)-Deferred Compensation Plan

The 457(b)-Deferred Compensation Plan (457(b) Plan) is an Other Employee Benefit Plan established in 1974. The Deferred Compensation Plan is governed by Title 19, Chapter 50, MCA, in accordance with Internal Revenue Code (IRC) Section 457. The plan is available to all employees of the State, Montana University System, and contracting political subdivisions. The State and 70 non-state entity employers participate in the 457(b)-Plan.

Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts, or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Empower RetirementTM is the record keeper for the plan. Participants elect to defer a portion of their salary, within IRC limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

I. Method Used to Value Investments

The Montana Board of Investments (BOI) manages the investments, as authorized by state law, for the defined benefit retirement plans in two investment pools, the Consolidated Asset Pension Pool (CAPP) and the Short-Term Investment Pool (STIP). CAPP is an internal investment pool and STIP is an external investment pool. Each retirement plan's ownership in the pools is based on the funds contributed. Individual investments in the pools are not specifically identified to the respective retirement plan. Investments are reported at either fair value or cost, depending on the underlying investment type. Fixed income and equity investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Mortgages are present value adjusted. Investment valuation not classified within the fair value measurement levels are reported at Net Asset Value. Further detail related to investments is provided in Note 3.

J. Long-term Contracts for Contributions

Per Section 19-2-706, MCA, the Montana Legislature enacted a provision of the Employee Protection Act (EPA) allowing state and university system employees who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. In fiscal year 2022, 276 employees participated in the program.

The Employer has up to ten years to complete payment for the service purchases and is charged the actuarially required rate of return as established by MPERA on the unpaid balance. Total contributions received (including interest) during fiscal year 2022 totaled \$149.3 thousand. The outstanding balance at June 30, 2022, totaled \$5.9 thousand.

K. Litigation

Consolidated PERB v. Lewis and Clark County and Montana Association of Counties (MACo), Lewis and Clark County, and Cascade County v. PERB and MPERA. On May 1, 2020, PERB filed a Complaint for Declaratory Relief in the First Judicial District of Montana against Lewis and Clark County. This complaint asked the Court to rule that the Montana Constitution, Article VIII, Section 15, vests PERB with the authority to: 1) actuarially determine the amount of the unfunded pension liabilities attributable to a component unit of Lewis and Clark County that has terminated its participation in a PERB administered defined benefit plan; and 2) compel the payment of the unfunded pension liabilities upon this component unit's termination. On June 1, 2020, PERB filed its First Amended Complaint amending its original pleading to add a claim for breach of contract against Lewis and Clark County.

On May 1, 2020, MACo filed a Complaint for Declaratory Judgment, Injunctive Relief, and a Writ of Prohibition against PERB and MPERA in the First Judicial District Court of Lewis and Clark County related to the same underlying issue that caused MPERA to initiate its action against Lewis and Clark County. This Complaint asked the Court to rule that: 1) the Montana Constitution, Article VIII, Section 15, does not vest PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force; 2) the 1947 Contract between PERB and Lewis and Clark County and Cascade County, as well as other similar agreements between PERB and all other Montana counties, does not vest PERB with the authority to determine and collect unfunded pension liabilities owed to the PERS-DBRP trust as a result of partial withdrawals of employees or reductions in force; 3) MACo is entitled to a preliminary and permanent injunction enjoining PERB from assessing withdrawal penalties against Montana counties; and 4) MACo is entitled to a Writ of Prohibition arresting PERB from assessing withdrawal penalties against Montana counties. On May 15, 2020, MACo filed a First Amended Complaint and added the additional parties of Lewis and Clark County and Cascade County to this action as plaintiffs as well as additional claims for breach of express and implied contract.

On May 13, 2020, Lewis and Clark County filed a motion to dismiss PERB's Complaint and followed that on June 18, 2020, with a motion to dismiss PERB's First Amended Complaint. Likewise, on June 25, 2020, PERB filed a motion to dismiss, or in alternative, a motion for partial summary judgement, several of the counts in the MACo suit. Both cases were subsequently consolidated into a single action by the Court on February 22, 2021.

On February 1, 2022, the Court ruled on respective motions of the parties. In the only real narrowing of the case, the Court cited statute that the State cannot be held liable under theories of implied contract to dismiss the counties' claim against PERB for breach of the covenant of good faith and fair dealing. The parties filed their respective answers on February 25, 2022, and the case now awaits further action.

In the opinion of management and legal counsel, the disposition of unfunded actuarial accrued liabilities owed to PERS-DBRP in the consolidated Lewis and Clark County and MACo case, will have a material adverse effect on the PERS-DBRP's financial position as a whole should the Court rule against MPERA and PERB. An estimate of the potential liability for the consolidated Lewis and Clark County and MACo case cannot presently be made.

NOTE 7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. General Information Non-trust Plans

The State of Montana (State) and the Montana University System (MUS) provide optional postemployment healthcare benefits in accordance with Section 2-18-704, MCA to the following employees and dependents who elect to continue coverage and pay administratively established contributions: (1) employees and dependents who retire under applicable retirement provisions and (2) surviving dependents of deceased employees. Medical, dental, and vision benefits are available through this plan. The State and MUS offer OPEB plans that are not administered through trusts; as such, there are no plan assets accumulated to offset the total OPEB liability.

In accordance with Section 2-18-704, MCA, the State provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from the Public Employees' Retirement System (PERS) or various other State retirement systems, and elect to start medical coverage within 60 days of leaving employment. Retirement eligibility criteria differ by state retirement plan. Further detail on state retirement plans is provided in Note 6. MUS provides post-retirement health insurance benefits to eligible employees who receive retirement benefits from their plan, or an annuity under the MUS-RP, and have been employed by MUS for at least five years, are age 50, or have worked 25 years with MUS. They must elect to start medical coverage within 60 days of leaving employment. Spouses, unmarried dependent children, and surviving spouses are also eligible for both plans.

Montana State Fund, a discretely presented component of the State and participant in the State OPEB plan, by statute, prepares separately issued financial statements on a calendar year-end basis. Due to the difference in reporting period, there will be a variance between the note disclosures and the financial statements for OPEB related information.

B. Plan Descriptions

Both healthcare OPEB plans for the State and MUS are reported as single-employer plans. In addition to the primary government, the participating employers under the State OPEB plan are Facility Finance Authority, Montana Board of Housing, Public Employees' Retirement System, Montana State Fund, and Teachers' Retirement System. The participating employers under the MUS OPEB plan are Office of Commissioner of Higher Education (OCHE), Montana State University - Billings (MSU-Billings), Montana State University - Bozeman (MSU-Bozeman), Great Falls College MSU, Montana State University - Northern (MSU-Northern), Montana Technological University, Helena College UM, University of Montana - Missoula (UM-Missoula), and University of Montana - Western (UM-Western). Participating employers under MUS, but excluded from the total OPEB liability due to not qualifying as component units, are Dawson Community College (Dawson CC), Flathead Valley Community College (Flathead CC), and Miles Community College (Miles CC). Each participating employer is required to disclose additional information as required per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (GASB 75).

The State and MUS pay for post-employment healthcare benefits on a pay-as-you-go basis. Section 2-18-812, MCA gives authority for establishing and amending the funding policy to the Department of Administration for the State group health insurance plan. Section 20-25-1310, MCA gives authority for establishing and amending the funding policy to the Board of Regents for the MUS group health insurance plan. The healthcare OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in reporting the total OPEB liability in the related financial statements and note disclosures. Reported contributions are not a result of direct funding to the plans or for associated liabilities, but are a measure of the difference in retiree payments into the plans and actual medical costs associated with those individuals paid for by the plans.

As of December 31, 2021, the State OPEB plan's administratively established retiree medical premiums vary between \$457.00 and \$2,172.00 per month, depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between \$41.10 and

\$70.00 per month and vision hardware premiums vary between \$7.64 and \$22.26 per month, depending on the coverage selected. The plan provides different coinsurance amounts and deductibles depending on whether members use participating or non-participating providers. Once retiree members become Medicare eligible, the plan automatically processes claim reimbursement as the secondary insurer, even if the member is not enrolled in Medicare. A basic life insurance plan on the life of the retiree is also included with a retiree's core benefits until the retiree reaches age 65 or is eligible for Medicare.

As of June 30, 2022, the MUS OPEB plan's administratively established retiree medical premiums vary between \$368.00 and \$2,452.00 per month. Retiree dental premiums vary between \$52.00 and \$156.00 per month, while vision premiums vary from \$10.70 to \$31.18, depending on the types and number of dependents enrolled and which medical Third Party Administrator (TPA) was selected. The plan provides different coinsurance amounts and deductibles depending on whether members use in-network or out-of-network providers. The plan automatically reduces claim reimbursement for members eligible for Medicare, even if the member is not enrolled in Medicare. The premium changes were based on actual claims experience and actuarial projections based on the experience and trends.

C. Basis of Accounting

Total OPEB liability is reported on an accrual basis on the proprietary and fiduciary fund financial statements, the government-wide financial statements, and the component unit financial statements. Total OPEB liability is not reported on the governmental fund financial statements, as it is considered a long-term liability. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Both OPEB plans state, that an employee enrolled in the OPEB plan, who (a) at least meets the early retirement criteria defined by Montana Public Employees' Retirement Administration (MPERA); and (b) makes arrangements with their respective benefit office, within 60 days of the date active employee coverage ends, to continue post-retirement coverage, may continue with the OPEB plan on a self-pay basis, retroactive back to the date active employee coverage was lost, and adhere to these provisions. Therefore, each plan does not include terminated employees who have accumulated benefits but are not yet receiving them. There have been no significant changes in the number covered or the type of coverage as of June 30, 2022.

The number of State Plan participants as of December 31, 2020 projected to December 31, 2021, follows:

Enrollment	State Plan Participants						Total
	State ⁽¹⁾	Facility Finance Authority ⁽²⁾	Montana Board of Housing ⁽²⁾	Public Employee Retirement Board ⁽³⁾	Montana State Fund ⁽²⁾	Teachers Retirement System ⁽³⁾	
Active employees	12,210	3	36	51	285	21	12,606
Retired employees, spouses, and surviving spouses	2,178	2	3	1	17	4	2,205
Total	14,388	5	39	52	302	25	14,811

The number of MUS Plan participants as of December 31, 2020 projected to December 31, 2021, follows:

Enrollment	MUS Plan Participants									Total
	MSU-GFC ⁽²⁾	UM-HC ⁽²⁾	MSU-Billings ⁽²⁾	MSU-Bozeman ⁽²⁾	MSU-Northern ⁽²⁾	OCHE ⁽¹⁾	UM-Missoula ⁽²⁾	UM-MT Tech ⁽²⁾	UM-Western ⁽²⁾	
Active employees	103	71	427	3,026	171	46	1,856	382	179	6,261
Retired employees, spouses, and surviving spouses	8	14	109	459	35	16	475	97	52	1,265
Total	111	85	536	3,485	206	62	2,331	479	231	7,526

⁽¹⁾ Primary Government

⁽²⁾ Discretely Presented Component Units of Primary Government

⁽³⁾ Fiduciary Component Units of Primary Government

D. Schedule of Changes in Total OPEB Liability

The following table presents the other items related to and changes in the total OPEB liability:

Annual OPEB Cost & Changes in Total OPEB liability
(in thousands)

	State Plan			MUS Plan		
	Primary Government Total OPEB Liability	Discrete Component Unit and Fiduciary Component Unit Total OPEB Liability	Total State Plan	Primary Government Total OPEB Liability	Discrete Component Unit Total OPEB Liability	Total MUS Plan
Balances at 6/30/2021	\$ 143,281	\$ 4,234	\$ 147,515	\$ 561	\$ 56,750	\$ 57,311
Changes for the year:						
Service cost	8,458	268	8,726	29	3,655	3,684
Interest	3,412	101	3,513	13	1,374	1,387
Changes of assumptions or other inputs	(37,582)	(1,128)	(38,710)	(158)	(17,125)	(17,283)
Benefit payments	2,518	74	2,592	20	2,456	2,476
Net changes	(23,194)	(685)	(23,879)	(96)	(9,640)	(9,736)
Balances at 6/30/2022 ⁽¹⁾	\$ 120,087	\$ 3,549	\$ 123,636	\$ 465	\$ 47,110	\$ 47,575

⁽¹⁾ State, fiduciary component units, and discretely presented component units proportion of the collective total OPEB liability as of the measurement date for fiscal years 2021 and 2022 for the State Plan was 100% both years and for the MUS Plan is 95.18% and 95.18%, respectively.

E. Actuarial Methods and Assumptions

The total OPEB liability (TOL) measured under GASB 75 is based upon service cost and more standardized reporting assumptions than prior GASB Statements. As a pay-as-you-go public entity, GASB 75 requires a 20-year current municipal bond discount rate to establish an Actuarially Determined Contribution (ADC). The GASB 75 valuation is further required to show both historical and projected future net changes in TOL, as well as sensitivity to changes in key underlying assumptions. Actuarially determined amounts are subject to continual revisions, meaning actual results are compared with past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future.

The schedule of changes in the State's and MUS's TOL and related ratios, presented as required supplementary information following the notes to the financial statements is designed to present multi-year trend information about whether the actuarial value of plan TOL is increasing or decreasing over time relative to the actuarial liabilities for benefits. The schedule of changes in the State's and MUS's TOL and related ratios are based on the substantive plan (the plan as understood by the employer and the plan members). This includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The State's OPEB Plan TOL on December 31, 2020, rolled forward to March 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**Other Postemployment Benefits
State Single Employer Plan**

	Retiree/Surviving Spouse	Spouse
Contributions (weighted average):		
Before Medicare eligibility	\$ 15,072	\$ 6,908
After Medicare eligibility	5,484	4,820
Actuarial valuation date	December 31, 2020	
Experience study period	January 1, 2018 through December 31, 2020	
Actuarial measurement date ⁽¹⁾	March 31, 2022	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.31%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

⁽¹⁾ Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Healthy: For TRS, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: The discount rate increased from 2.23% to 3.31%.

Changes in benefit terms since last measurement date: None

Additional information as of the latest actuarial valuation for MUS OPEB plan follows:

**Other Postemployment Benefits
MUS Single Employer Plan**

	Retiree/Surviving Spouse	Spouse
Contributions (in thousands):		
Before Medicare eligibility	\$ 11,772	\$ 9,637
After Medicare eligibility	4,416	5,205
Actuarial valuation date	December 31, 2020	
Actuarial measurement date ⁽¹⁾	March 31, 2022	
Experience study period	January 1, 2018, through December 31, 2020	
Actuarial cost method	Entry age normal funding method	
Amortization method	Level percent of payroll, open basis	
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 75	
Actuarial assumptions:		
Discount rate	3.31%	
Projected payroll increases	2.50%	
Participation:		
Future retirees	40.00%	
Future eligible spouses	70.00%	
Marital status at retirement	70.00%	

⁽¹⁾ Updated procedures were used to roll forward the total OPEB liability to the measurement date.

Mortality - Healthy: For TRS and MUS-RP, healthy mortality is assumed to follow the RP-2000 Healthy Annuitant Mortality Table for ages 50 and above and the RP-2000 Combined Healthy Annuitant Mortality Table for ages below 50, set back four years for males, set back two years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, healthy mortality is assumed to follow the RP-2000 Combined Mortality Table with improvements projected by Scale BB to 2020, set back one year for males.

Mortality - Disabled: For TRS and MUS-RP, disabled mortality is assumed to follow the RP-2000 Disabled Mortality Table, set forward one year for males and set forward five years for females, with mortality improvements projected by Scale BB to 2018. For all other groups, disabled mortality is assumed to follow the RP-2000 Combined Mortality Table with no projections.

Changes in actuarial assumptions and methods since last measurement date: The discount rate increased from 2.23% to 3.31%.

Changes in benefit terms since last measurement date: None

Sensitivity of the TOL to changes in the discount rate

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using a discount rate that is 1-percentage-point lower (2.31 percent) or 1-percentage-point higher (4.31 percent) than the current discount rate:

State OPEB plan (in thousands)			
	1.0% Decrease (2.31%)	Current Discount Rate (3.31%)	1.0% Increase (4.31%)
Primary Government	\$ 148,605	\$ 120,087	\$ 98,400
Discrete Component Units and Fiduciary Component Units	4,432	3,549	2,873
Total OPEB liability	\$ 153,037	\$ 123,636	\$ 101,273

MUS OPEB plan (in thousands)			
	1.0% Decrease (2.31%)	Current Discount Rate (3.31%)	1.0% Increase (4.31%)
Primary Government	\$ 607	\$ 465	\$ 362
Discrete Component Units	61,296	47,110	36,688
Total OPEB liability	\$ 61,903	\$ 47,575	\$ 37,050

Sensitivity of the TOL to changes in the healthcare cost trend rates

The following presents the TOL of the State and MUS OPEB plans, as well as what they would be if calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent) or 1-percentage-point higher (7.0 percent) than the current healthcare cost trend rates:

State Plan (in thousands)			
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)
Primary Government	\$ 94,886	\$ 120,087	\$ 154,895
Discrete Component Unit and Fiduciary Component Units	2,760	3,549	4,633
Total OPEB liability	\$ 97,646	\$ 123,636	\$ 159,528

MUS Plan (in thousands)			
	1.0% Decrease (5.0%)	Current Healthcare Cost Trend Rate (6.0%)	1.0% Increase (7.0%)
Primary Government	\$ 361	\$ 465	\$ 612
Discrete Component Unit	36,544	47,110	61,919
Total OPEB liability	\$ 36,905	\$ 47,575	\$ 62,531

OPEB Expense and Deferred Outflows and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the State OPEB plan's OPEB expense is \$15.5 million and the MUS OPEB plan's OPEB expense is \$4.5 million.

At June 30, 2022, the State OPEB plan deferred outflows and inflows of resources are from the following sources:

	State Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 15,365
Changes of assumptions or other inputs	99,625	47,596
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	287	—
Total	<u>\$ 99,912</u>	<u>\$ 62,961</u>
<u>Discrete Component Units and Fiduciary Component Units</u>		
Difference between expected and actual experience	\$ 361	\$ 148
Changes of assumptions or other inputs	2,660	1,386
Amounts associated with transactions subsequent to the measurement date of the total OPEB liability	18	—
Total	<u>\$ 3,039</u>	<u>\$ 1,534</u>

At June 30, 2022, the MUS OPEB plan deferred outflows and inflows of resources are from the following sources:

	MUS Plan (in thousands)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Primary Government</u>		
Difference between expected and actual experience	\$ —	\$ 306
Changes of assumptions or other inputs	475	238
Total	<u>\$ 475</u>	<u>\$ 544</u>
<u>Discrete Component Units</u>		
Difference between expected and actual experience	\$ —	\$ 26,568
Changes of assumptions or other inputs	46,594	24,867
Total	<u>\$ 46,594</u>	<u>\$ 51,435</u>

Deferred outflows of resources and deferred inflows of resources related to TOL will be recognized as OPEB expense as follows:

Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense				
State Plan (in thousands)				
Year ended June 30	Primary Government	Discrete Component Units and Fiduciary Component Units	State Plan Total	
2023	\$ 3,157	\$ 134	\$ 3,291	
2024	3,157	134	3,291	
2025	3,157	134	3,291	
2026	3,157	134	3,291	
2027	3,157	134	3,291	
Thereafter	20,879	817	21,696	

Amount recognized in OPEB expense as an increase or (decrease) to OPEB expense				
MUS Plan (in thousands)				
Year ended June 30	Primary Government	Discrete Component Units	MUS Plan Total	
2023	\$ (7)	\$ (531)	\$ (538)	
2024	(7)	(531)	(538)	
2025	(7)	(531)	(538)	
2026	(7)	(531)	(538)	
2027	(7)	(531)	(538)	
Thereafter	(34)	(2,186)	(2,220)	

F. General Information Trust Plan

General Information

Section 19-3-2141, MCA, establishes a long-term disability plan trust fund (PERS-DCRP Disability) for all State of Montana employees that participate in the Public Employee's Retirement System-Defined Contribution Retirement Plan (PERS-DCRP). All new PERS members are initially members of the Public Employee Retirement System-Defined Benefit Retirement Plan (PERS-DBRP) and have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. If an election is not filed, the member remains in the PERS-DBRP. Members may not be members of both the defined contribution and defined benefit retirement plans. Only those participants that choose the PERS-DCRP are covered by the PERS-DCRP Disability plan.

Plan Description

The PERS-DCRP Disability is a multiple-employer cost-sharing plan that covers employees of the State, local governments, and certain employees of the university system and school districts, who are not covered by a separate retirement system governed by Title 19, MCA. The PERS-DCRP Disability plan provides disability benefits to PERS-DCRP plan members who are vested in the plan and are currently ineligible for retirement.

A separate trust has been established for purposes of providing disability benefits to PERS-DCRP Disability plan members, and it is accounted for as a fiduciary fund. The assets are held in a trust capacity for the beneficiaries. The Public Employee Retirement System issues publicly available annual reports, which include financial statements and required supplemental information for the plan. Those reports may be obtained online (<http://mpera.mt.gov>) or by contacting the following:

Public Employees' Retirement Board
100 North Park, Suite 200
P.O. Box 200131
Helena, MT 59620-0131

G. Termination Benefits

During the year ended June 30, 2022, the State made the following termination benefit arrangements: provided for one-time lump-sum incentive payments for 29 employees, and paid administrative leave for 32 employees.

During the year ended June 30, 2022, component units of the State made the following termination benefit arrangements: continued coverage of health insurance benefits and/or one-time incentive payments for 24 employees.

During the year ended June 30, 2022, the cost of termination benefits for the fiscal year was \$274.0 thousand and \$1.7 million for the State and its component units, respectively.

NOTE 8. RISK MANAGEMENT

There are three primary government public entity risk pools and one claims-servicing pool that are reported within the enterprise funds. These pools include Hail Insurance, the Montana University System (MUS) Group Insurance Plan, the MUS Workers Compensation Program, and the Subsequent Injury claims-servicing pool. The State of Montana (Old Fund) provides risk financing as an entity other than a public entity risk pool. The liability and payment of the workers' compensation claims for incidents occurring before July 1, 1990, are reported in the government-wide financial statements within the primary government. Unpaid claims and claim adjustment expenses are estimated based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. Additionally, the primary government reports its own risk management activity within two internal service funds: Employees Group Benefits Plans and Administration Insurance Plans. In all of these funds, there are no significant reductions in insurance coverage from the prior year. These funds use the accrual basis of accounting. By statute, these funds cannot invest in common stock. Investments are recorded at fair value. Premiums and discounts are amortized using the straight-line method over the life of the securities.

A. Public Entity Risk Pools

(1) Hail Insurance – Any Montana producer engaged in growing crops subject to destruction or damage by hail may participate in the Hail Insurance program. The Hail Insurance program issued 357 policies during the 2022 growing season. This fund accounts for premium assessments paid by producers for crop acreage insured, investment and interest earnings, administrative costs, and claims paid for hail damage. Depending upon the reserve fund's actuarial soundness and the damage in a season, producers may receive a premium refund. Anticipated investment income is considered in computing a premium deficiency, of which there is none.

A claim must be submitted to the State Board of Hail Insurance within 14 days of a loss occurrence. The claim must indicate whether the grain is stemming, in the boot, heading out, in the milk, in the stiff dough, ready to bind, or combine. If beans, peas, or other crops are damaged, the growth-stage must also be indicated. Inspection of a crop will occur as promptly as possible after claim receipt. The liability on all insured crops expires after October 1. The insurance only covers loss or damage to growing grain that exceeds 5.0% destruction by hail.

To reduce its exposure to large losses, the fund purchased Crop Hail Quota Share Reinsurance for the 2022 growing season, with a 70.0% share of premiums and losses allotted to the Reinsurer and a 30.0% share of each allotted to the State Hail Insurance. The fund recorded a liability of \$12.0 thousand, which is 30.0% of the estimated claims (\$39.1 thousand) plus adjustment expenses through June 30, 2022. The amount deducted from the estimated claims as of June 30, 2022, for reinsurance was \$27.4 thousand (70.0% of estimated claims). The premiums ceded to the Reinsurer through June 30, 2022, were \$1.3 million, which was 70.0% of total premiums of \$1.9 million.

Any crop insurance liability is paid to the producers within one year of occurrence; therefore, liabilities are not discounted. The fund has no excess insurance or annuity contracts.

(2) Montana University System (MUS) Group Insurance Plan – This plan is authorized by the Board of Regents and in Section 20-25-13, MCA. The plan's purpose is to provide medical, dental, prescription drug, and related group benefits coverage to employees of the Montana University System and affiliates, and their dependents, retirees, and COBRA members. The MUS Group Benefits Plan is fully self-insured, except for life insurance, long-term disability, and accidental death and dismemberment insurance. Delta Dental administers the dental plan, Blue Cross and Blue Shield of Montana administers the vision plan, and Navitus is the administrator for the prescription drug program. Blue Cross and Blue Shield of Montana is the third-party claims administrators for the self-insured managed care plan and also has a contract for utilization management. The utilization management program consists of hospital pre-authorization and medical necessity review, as well as large case management. Premiums are collected from employees through payroll deductions and recorded in the MUS Group Insurance enterprise fund. The claims liability is calculated by Actuaries Northwest and estimated to be \$8.8 million as of June 30,

2022, based on prior year experience. A liability is reported in the accompanying financial statements for these estimated claims.

(3) Montana University System (MUS) Workers' Compensation Program – This plan was formed to provide self-insured workers compensation coverage for MUS employees. The MUS Board of Regents provides workers' compensation coverage under Compensation Plan Number One (Section 39-7-2101, MCA). The program is self-insured for workers' compensation claims with losses in excess of \$750.0 thousand per occurrence (\$500.0 thousand for claims occurring prior to July 1, 2013) and \$1.0 million per aircraft occurrence covered by reinsurance with a commercial carrier. Employer's liability claims are covered to a maximum of \$1.0 million above the self-insured amount of \$750.0 thousand (\$500.0 thousand for claims occurring prior to July 1, 2013). During fiscal year 2022, the program ceded \$396.3 thousand in premiums to reinsurers.

The MUS Workers' Compensation Program Committee establishes premium rates for all participating campuses based on actuarial calculations of premium need and composite premium rate. Premium rates are adjusted periodically based on inflation, claims experience, and other factors. Premiums are recorded as revenue in the MUS Workers' Compensation Program in the period for which coverage is provided. Members may be subject to supplemental assessments in the event of deficiencies. The program considers anticipated investment income in determining if a premium deficiency exists.

The fund recorded a liability of \$3.9 million for estimated claims at June 30, 2022. The liability is based on the estimated ultimate cost of settling the reported and unreported claims, claims reserve development, including the effects of inflation, and other societal and economic factors. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Estimated claims liabilities are recomputed periodically based on a current review of claims information, experience with similar claims, and other factors. Adjustments to estimated claims liabilities are recorded as an increase or decrease in claims expense in the period the adjustments are made.

(4) Subsequent Injury – The purpose of the Subsequent Injury Fund (SIF) is to assist individuals with a permanent impairment that may create an obstacle to employment by limiting workers' compensation exposure for employers who hire SIF-certified individuals. The program is funded through an annual assessment for Montana self-insured employers and a surcharge on premium for private insured and Montana State Fund policyholders.

The Employment Relations Division sets the assessment and surcharge rates annually. The amount assessed is calculated by adding the amount of paid losses reimbursed by SIF from April 1 of the previous calendar year through March 31 of the current calendar year, plus administration expenses, less other income earned. Employers share in the reimbursement in two ways: (1) if self-insured, the reimbursement is based on their share of overall paid losses in the previous calendar year, (2) if insured through a private carrier or Montana State Fund, the reimbursement is based on both overall paid losses in the previous calendar year, and the amount of the employer's premium paid for their business.

The SIF program reduces the liability of the employer (if self-insured) or insurer by placing a limit of 104 weeks on the amount an employer (if self-insured), or the employer's insurer, will have to pay for medical and wage loss benefits in the event a worker who is SIF-certified becomes injured or re-injured on the job. SIF will assume liability for the claim when the 104 weeks is reached. For an insured employer, since the insurer's liability is limited to 104 weeks on the claim, this can favorably impact the employer's modification factor, which in turn could keep premiums lower than would otherwise be the case without SIF. For a self-insured employer, it provides a direct recovery of expenses paid for a workers' compensation claim. If a certified worker does become injured on the job, the worker remains entitled to all benefits due under the Workers' Compensation Act.

An estimated liability is recorded based on a projected cost analysis and total population of registered SIF participants. As of June 30, 2022, this liability amount was estimated to be \$1.8 million.

(5) Changes in Claims Liabilities for the Past Two Years – As indicated above, these funds establish liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following tables present changes (in thousands) in those aggregate liabilities during the past two years. All information in these tables is presented at face value and has not been discounted.

	<u>Hail Insurance</u>		<u>MUS Group Insurance Plan</u>		<u>MUS Workers Compensation</u>	
	2022	2021	2022	2021	2022	2021
Unpaid claims and claim adjustment expenses at beginning of year	\$ 76	\$ 11	\$ 10,663	\$ 10,300	\$ 5,234	\$ 4,837
Incurred claims and claim adjustment expenses: provision for insured events of the current year	544	520	101,744	97,018	1,771	2,363
Increase (decrease) in provision for insured events of prior years	(49)	12	—	—	(1,711)	(550)
Total incurred claims and claim adjustment expenses	495	532	101,744	97,018	60	1,813
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current year	(532)	(444)	(103,568)	(96,655)	(374)	(376)
Claims and claim adjustment expenses attributable to insured events of prior years	(27)	(23)	—	—	(1,060)	(1,040)
Total payments	(559)	(467)	(103,568)	(96,655)	(1,434)	(1,416)
Total unpaid claims and claim adjustment expenses at end of year	\$ 12	\$ 76	\$ 8,839	\$ 10,663	\$ 3,860	\$ 5,234

B. Entities Other Than Pools

(1) Administration Insurance Plans – This self-insurance plan provides coverage for general liability, automobile liability, automobile physical damage, foster care liability, and State-administered foreclosure of housing units. The State self-insures the \$2.0 million deductible per occurrence for most property insurance, as well as various deductible amounts for other State property. The State also self-insures against property losses below \$2.0 million of value, with State agencies paying the first \$1.0 thousand. Commercial property insurance protects approximately \$6.5 billion of State-owned buildings and contents. The State's property insurance includes separate earthquake and flood protection coverage, with deductibles of \$2.0 million for earthquake and \$2.0 million for flood per occurrence. Premiums are collected from all state agencies, including component units, and recorded as revenue in the Administration Insurance Fund.

An annual actuarial study prepared by Willis Towers Watson Company, and issued for the accident period July 1, 2011, through June 30, 2022, is the basis for estimating the liability for unpaid claims and is supported by historical loss data. As of June 30, 2022, the estimated claims liability was \$36.2 million. Of the \$36.2 million estimated claims liability, \$17.1 million is related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

(2) Employee Group Benefits Plans – The medical and dental health plans provided by the State are fully self-insured with the State assuming the risk for claims incurred by employees of the State, elected officials, retirees, former employees covered by COBRA benefits, and their dependents. The State contracted with Allegiance as the third-party administrator for medical coverage. Delta Dental is the

administrator for dental coverage. Navitus is the administrator for the pharmacy program. Contributions are collected through payroll deductions, deductions through the Montana Public Employee Retirement Administration, the Legislative Branch, and self-payments. The contributions are recorded as revenue in the Employee Group Benefits internal service fund. As of June 30, 2022, estimates for claims liabilities, which include both incurred but not reported claims and grandfathered claims resulting from a 1998 change in period for which the benefit coverage is available, as well as other actuarially determined liabilities, were \$25.9 million as provided by Actuaries Northwest, a consulting actuarial firm. In fiscal year 2023, \$25.7 million of these claims liabilities are estimated to be paid.

(3) State of Montana (Old Fund) – State of Montana (Old Fund) covers workers' compensation claims that were incurred before July 1, 1990. Old Fund was originally a risk financing insurance entity, but upon depletion of all of its assets, is now financed by the General Fund. The participants within the pool are individuals outside of governmental entities.

An actuarial study prepared by Willis Towers Watson, as of June 30, 2022, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. At June 30, 2022, \$41.5 million of unpaid claims and claim adjustment expenses were reported at face value.

(4) Changes in Claims Liabilities for the Past Two Years – These funds establish liabilities for both reported and incurred but not reported claims. Grandfathered claims are not included as they relate to future claims not yet incurred. The following table presents changes in the balances of claims liabilities during the past two fiscal years (in thousands).

	Administration Insurance Plans ⁽¹⁾		Employers Group Benefits Plan		State of Montana Old Fund	
	2022	2021	2022	2021	2022	2021
Amount of claims liabilities at the beginning of each fiscal year	\$ 17,146	\$ 17,431	\$ 19,665	\$ 18,982	\$ 43,704	\$ 48,280
Incurred claims:						
Provision for insured events of the current year	6,585	5,555	199,225	181,363	—	—
Increase (decrease) in provision for insured events of prior years	14,040	6,867	1,651	(3,267)	3,151	1,769
Total incurred claims	20,625	12,422	200,876	178,096	3,151	1,769
Payments:						
Claims attributable to insured events of the current year	(2,001)	(1,574)	(173,504)	(161,870)	—	—
Claims attributable to insured events of prior years	(16,690)	(11,133)	(21,160)	(15,543)	(5,377)	(6,345)
Total payments	(18,691)	(12,707)	(194,664)	(177,413)	(5,377)	(6,345)
Total claims liability at end of each fiscal year	\$ 19,080	\$ 17,146	\$ 25,877	\$ 19,665	\$ 41,478	\$ 43,704

⁽¹⁾ \$17.1 million of additional claims for the Administration Insurance Plans not included in the table above, are related to a catastrophic property loss for which the insurance proceeds were received prior to the incurred expenses.

NOTE 9. COMMITMENTS

A. Highway Construction

At June 30, 2022, the Department of Transportation had contractual commitments of approximately \$477.2 million for construction of various highway projects. Funding for these highway projects is to be provided by federal grants and matched with state special revenue funds.

B. Capital Assets and/or Other Construction

At June 30, 2022, the Department of Administration, Architecture & Engineering Division (A&E) had contractual commitments of approximately \$138.4 million for planning and construction of capital projects for the renovation, deferred maintenance, and new construction of state-owned facilities. The primary government will fund \$100.8 million of these projects with \$50.9 million in capital project funds, \$17.3 million in federal special revenue funds (including \$0.4 million in ARPA federal funds), \$4.0 million in state special revenue funds, \$9.7 million in capital project funds, and \$18.9 million in proprietary funds. The Montana University System will fund \$37.6 million in university plant funds. A&E had \$1.5 million contractual commitments for the planning and implementation of the division's new Broadband Program. The Broadband Program commitments are funded with ARPA federal funds.

At June 30, 2022, the Department of Fish, Wildlife, and Parks had contractual commitments of approximately \$5.1 million for engineering and construction of various capital projects. The majority of funding for these commitments will be provided by federal grants and state special revenue funds.

At June 30, 2022, the Department of Labor and Industry had \$2.4 million contractual commitments for Montana State AmeriCorps Programs and a \$24.1 million commitment for information technology contracts. The funding for these programs is to be provided by federal grants and state special revenue funds.

At June 30, 2022, the Office of the Secretary of State had a contractual commitment of approximately \$1.5 million for developing and implementing the ElectMT system to replace the existing statewide Voter Registration and Election Management system (MT Votes). The majority of the funding for this project is to be provided by a federal grant from the U.S. Election Assistance Commission.

At June 30, 2022, the Department of Transportation, had contractual commitments of approximately \$54.8 million for engineering and construction of various infrastructure projects and approximately \$1.8 million for buses and transit facilities for various local governments and transit authorities. The funding for both of these commitments will be provided by federal funds.

C. Loan and Mortgage Commitments

The Montana Board of Investments (BOI) makes firm commitments to fund commercial loans, residential mortgages, and Veterans' Home Loan Mortgages (VHLM) from the Coal Severance Tax Permanent Trust Fund. These commitments have expiration dates and may be extended according to BOI policies. As of June 30, 2022, BOI had committed, but not yet purchased, \$25.8 million in loans from Montana lenders. Additionally, lenders had reserved \$23.0 million for loans as of June 30, 2022. As of June 30, 2022, another \$1.0 million represented lender reservations for the VHLM residential mortgage purchases with no purchase commitments.

BOI makes reservations to fund mortgages from the State's pension funds. As of June 30, 2022, there were no mortgage reservations. All BOI residential mortgage purchases are processed by the Montana Board of Housing (MBOH). MBOH does not differentiate between a mortgage reservation and a funding commitment.

BOI makes firm commitments to fund loans from the INTERCAP loan program. The BOI's outstanding commitments to eligible Montana governments, as of June 30, 2022, totaled \$26.6 million.

D. Bond Commitments

At June 30, 2022, the outstanding tax-exempt bonds distributed by the Facility Finance Authority were issued in the amount of \$7.0 million of which \$1.4 million in principal payments are scheduled to be paid by June 30, 2023. These bonds have been issued to facilities operating treatment and prerelease centers. The Department of Corrections agrees to provide payment on behalf of the contractors for the total principal and interest due regarding these outstanding bonds. These costs are then recovered through the center's monthly billing for inmate room and board.

E. Proprietary Fund Commitments

Budgets are administratively established in the enterprise and internal service funds, excluding depreciation, compensated absences, and bad debt expense. Appropriations may be committed for goods/services that are not received as of fiscal year-end. These executory commitments are included in unrestricted net position in the accompanying financial statements as follows (in thousands):

<u>Enterprise Funds</u>	<u>Amount</u>
Liquor Warehouse	\$ 148
Other Enterprise Funds	2
Subtotal - Enterprise funds	\$ 150
 <u>Internal Service Funds</u>	
Building and Grounds	\$ 79
Commerce Central Services	31
Labor Central Services	66
Prison Industry	8
Admin Insurance	3
Subtotal - Internal Service funds	\$ 187

F. Encumbrances

As of June 30, 2022, the State of Montana encumbered expenditures as presented in the table below (in thousands):

	<u>Federal Special Revenue Fund</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>State Special Revenue Fund</u>	<u>Total</u>
Encumbrances	\$ 37,333	\$ 19,626	\$ 530	\$ 63,922	\$ 121,411

NOTE 10. LEASE/FINANCED PURCHASE PAYABLES AND LEASE RECEIVABLES**A. Lease/Financed Purchase Payables**

Leases and financed purchases both consist of agreements that grant the State use of property in exchange for payments over a period of time. The primary difference is that a financed purchase agreement grants ownership of the property to the State by the end of the contract period. In contrast, a lease agreement only grants the use of the property for a specified period. A lease agreement may contain an option to purchase the property or it may be a contract that transfers ownership of the property to the State with specific types of termination options. The State's lease payables are primarily related to the use of buildings, with some contracts related to the use of land and equipment. The State's financed purchase payables are exclusively associated with equipment purchases. Information regarding the right to use assets associated with leases can be found in Note 5.

Principal and interest requirements to maturity for leases and financed purchases at June 30, 2022, were as follows (in thousands):

Fiscal Year Ended June 30:	Governmental Activities				Business-Type Activities	
	Lease Principal	Lease Interest	Financed Purchase Principal	Financed Purchase Interest	Lease Principal	Lease Interest
2023	\$ 19,230	\$ 2,236	\$ 2,682	\$ 255	\$ 359	\$ 58
2024	17,308	1,938	2,641	307	353	53
2025	15,512	1,667	2,080	238	359	47
2026	13,452	1,424	1,874	184	372	41
2027	11,952	1,214	1,776	127	275	35
2028 - 2032	39,331	3,739	3,107	135	836	131
2033 - 2037	21,995	1,312	359	9	752	65
2038 - 2042	5,757	131	—	—	399	8
2043 - 2047	31	11	—	—	—	—
2048 - 2052	41	8	—	—	—	—
2053 - 2057	52	5	—	—	—	—
2058 - 2062	24	1	—	—	—	—
Total	<u>\$ 144,685</u>	<u>\$ 13,686</u>	<u>\$ 14,519</u>	<u>\$ 1,255</u>	<u>\$ 3,705</u>	<u>\$ 438</u>

B. Lease Receivables

The State's lease receivables are primarily associated with the leasing of lands granted to the State to support public schools and state institutions. For the fiscal year ended June 30, 2022, the State's total lease revenue was \$5.4 million, and the related interest revenue was \$3.2 million.

C. Lease-Leaseback Transaction

The State's lease payable and lease receivable balances exclude \$745.0 thousand related to an arrangement where the State is leasing a building that was constructed on land that is being leased from the State. GASB Statement No. 87 requires such arrangements to be accounted for as a net transaction.

D. Intra-Entity Leases of Investment Properties

The State owns buildings that are recorded as investments under GASB Statement No. 72, which are leased to component units and fiduciary component units. In those cases, the component units and fiduciary component units may record lease payables. However, the State does not record receivables for leases recorded as investments.

Total lease principal and interest requirements payable to the primary government at June 30, 2022, were as follows (in thousands):

Fiscal Year Ended June 30:	Discretely Presented Component Units		Fiduciary Component Units	
	Lease Principal	Lease Interest	Lease Principal	Lease Interest
2023	\$ 28	\$ 1	\$ 367	\$ 118
2024	29	—	387	112
2025	10	—	409	105
2026	—	—	431	98
2027	—	—	454	91
2028 - 2032	—	—	2,651	331
2033 - 2037	—	—	2,373	99
2038 - 2042	—	—	238	2
Total	<u>\$ 67</u>	<u>\$ 1</u>	<u>\$ 7,310</u>	<u>\$ 956</u>

NOTE 11. STATE SHORT-TERM DEBT AND LONG-TERM LIABILITIES

A. General Information

The State has no constitutional limit on its power to issue obligations or incur debt other than a provision that no debt may be created to cover deficits incurred because appropriations exceeded anticipated revenues. No State debt shall be created unless authorized by a two-thirds vote of the members of each house of the Legislature or a majority of the electors voting thereon. The Board of Examiners (consisting of the Governor, Secretary of State, and Attorney General) is authorized, pursuant to various enabling acts, to issue bonds and notes of the State.

B. Short-term Debt

The Board of Examiners, upon recommendation of the Department of Administration, may issue notes in anticipation of the receipt of taxes and revenues. Notes may not be issued to refund outstanding notes.

The State issues bond anticipation notes to finance the State Revolving Fund Programs that improve and rehabilitate wastewater and drinking water systems. The following schedule summarizes the activity for the year ended June 30, 2022 (in thousands):

Bond Anticipation Notes	Beginning Balance	Additions	Reductions	Ending Balance
Drinking Water 2019D GO BAN	149	—	149	—
Drinking Water 2020N GO BAN	1,663	1,537	3,200	—
Drinking Water 2021A GO BAN	—	3,100	1,200	1,900
Waste Water 2021B GO BAN	—	3,800	3,800	—
Drinking Water 2022A GO BAN	—	50	—	50
Waste Water 2022B GO BAN	—	50	—	50

The State's Board of Investments (BOI) is authorized to issue Intermediate-Term Capital (INTERCAP) bonds under the Municipal Finance Consolidation Act. These bonds may not aggregate more than \$190 million, as amended by the 2007 Legislature. The INTERCAP bonds provide funds for BOI to make loans to eligible government units. The bonds are not a debt or liability of the State. The bonds are limited obligations of BOI, payable solely from:

1. Repayments of principal and interest on loans made by BOI to participating eligible governmental units.
2. Investment income under the indenture.
3. An irrevocable pledge by BOI.

On November 30, 2021, BOI adopted Resolution 249, which allowed for the redemption of all outstanding bonds of the INTERCAP program and the issuance of a new bond to the Board of Investments Unified Investment Program. On January 25, 2022, the new special, limited obligation bond was issued for \$68.7 million. Additional discussion related to the BOI bonds is provided in Section C of Note 11. The proceeds of the bond were placed in an escrow account for the defeasance of the current outstanding bond along with \$21.9 million of cash and cash equivalents. On March 1, 2022, the existing debt of \$90.6 million in principal and \$65 thousand in interest was defeased. The BOI enterprise fund incurred \$79 thousand of issuance costs to accomplish the transaction.

As of June 30, 2022, there was no defeased debt outstanding and there was no gain or loss on the transaction. The following schedule summarizes the activity relating to the demand bonds during the year ended June 30, 2022 (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance
Demand bonds	\$ 90,600	\$ —	\$ 90,600	\$ —

C. Long-term Debt

The full faith, credit, and taxing powers of the State are pledged for the payment of all general obligation debt. Revenue and mortgage bonds are secured by a pledge from the facilities to which they relate and by certain other revenues, fees, and assets of the State and the various colleges and universities. Primary government bonds and notes outstanding on June 30, 2022, were as follows (in thousands):

				Principal Payments		
		Amount	Interest	Fiscal Year	In Year of	Balance
Governmental Activities	Series	Issued	Range (%) ⁽¹⁾	2023	Maturity ⁽²⁾	June 30, 2022
General obligation bonds						
Hard Rock Mining Reclamation	2002C	2,500	3.5-4.7	200	200 (2023)	200
CERCLA Program ⁽³⁾	2005D	2,000	3.25-4.3	125	140 (2026)	530
Long-Range Bldg Program	2008D	3,100	3.375-4.35	175	220 (2028)	1,170
Long-Range Bldg Program Refunding	2011D	5,755	3.0-3.25	720	720 (2023)	720
Long-Range Bldg Program Refunding	2013C	6,780	2.0-4.0	740	115 (2025)	1,620
Long-Range Bldg Program Refunding	2014	28,810	1.5-5.0	2,295	820 (2028)	13,275
Long-Range Bldg Program	2020C	28,900	2.0-5.0	2,595	3,465 (2030)	23,825
St. Mary Water Project (Taxable) ⁽⁸⁾	2020E	2,658	1.62	281	315 (2030)	2,382
2019 Session House Bill 652	2020G	32,505	5.0	2,700	4,030 (2031)	29,935
Long-Range Bldg Program	2020H	5,900	1.75-5.0	215	390 (2041)	5,690
Trust Lands Refunding (Taxable)	2020I	12,510	0.225-1.316	1,240	1,265 (2031)	11,265
Water Pollution Control Revolving Fund Program ⁽⁴⁾	2020J	24,865	0.225-2.456	6,195	305 (2041)	23,245
St. Mary Water Project (Taxable) ⁽⁸⁾	2020K	985	1.5	439	6 (2030)	880
Blackfeet Water Compact Project (Taxable) ⁽⁸⁾	2022D	16,035	3.50-4.35	845	1,925 (2032)	16,035
Total general obligation bonds		<u>\$173,303</u>		<u>\$ 18,765</u>		<u>\$ 130,772</u>
Special revenue bonds						
U.S. Highway 93 GARVEE Refunding ⁽⁵⁾	2016	22,540	0.74-1.86	3,740	3,740 (2023)	3,740
Coal Severance Tax Refunding (Taxable) ⁽⁸⁾	2020L	11,965	1.62	1,485	55 (2031)	8,955
Total special revenue bonds		<u>\$ 34,505</u>		<u>\$ 5,225</u>		<u>\$ 12,695</u>
Notes Payable						
Middle Creek Dam Project ⁽⁶⁾		\$ 3,272	8.125	\$ 104	226 (2034)	\$ 1,659
Oracle Project		668	—	334	668 (2024)	668
Tongue River Dam Project ⁽⁷⁾		11,300	—	290	290 (2038)	4,636
Total notes payable		<u>\$ 15,240</u>		<u>\$ 728</u>		<u>\$ 6,963</u>
Subtotal governmental activities, before unamortized balances		223,048		24,718		150,430
Unamortized premium		—		—		12,787
Total governmental activities		<u><u>\$223,048</u></u>		<u><u>\$ 24,718</u></u>		<u><u>\$ 163,217</u></u>
Business-Type Activities						
Bonds Payable						
INTERCAP Limited Obligation Bonds ⁽⁹⁾	2022	\$ 68,707	Variable	\$ —	N/A	\$ 68,707
Total bonds payable		<u>68,707</u>		<u>—</u>		<u>68,707</u>
Total Business-Type activities		<u><u>\$ 68,707</u></u>		<u><u>\$ —</u></u>		<u><u>\$ 68,707</u></u>

⁽¹⁾ The interest range is over the life of the obligation.

⁽²⁾ Year of maturity refers to the fiscal year.

⁽³⁾ The CERCLA (Comprehensive Environmental Response, Compensation, and Liability Act) Program Bonds were issued to finance the costs of the State of Montana's participation in the remedial actions under Section 104 of the CERCLA 42 United States Code Sections 9601-9657, and State of Montana costs

- for maintenance of sites under CERCLA. The CERCLA Bonds are secured additionally by a pledge of monies received by the State as cost recovery payments and revenues derived from the resource indemnity and groundwater assessment tax in the event cost recovery payments are insufficient.
- (4) Bonds were issued to refund the State's General Obligation Bonds (Water Pollution Control State Revolving Fund Program), Series 2015C, maturing on and after July 15, 2021; provide matching funds to enable the State to obtain capitalization grants from the U.S. Environmental Protection Agency for water pollution control facilities or other authorized improvements, to state political subdivisions; and pay costs of issuance of the Series 2020J Bonds and the refunding.
- (5) The U.S. Highway 93 GARVEES (Grant Anticipation Revenue Vehicles) Bonds were issued for the purpose of improving a 44.8-mile stretch of U.S. Highway 93. A pledge of certain federal aid revenues secures repayment of the bonds.
- (6) U.S. Bureau of Reclamation loan to the Department of Natural Resources & Conservation.
- (7) Northern Cheyenne Tribe loan to the Department of Natural Resources & Conservation. The loan will not accrue interest and will be repaid over 39 years. The issuance of a coal severance tax bond to the tribe secures the loan repayment.
- (8) Bonds were private sales.
- (9) On November 30, 2021, the Board of Investments adopted Resolution 249, which allowed for the redemption of all outstanding bonds of the INTERCAP program and the issuance of a new bond to the Board of Investments Unified Investment Program. The bond may be extended annually each February, with no limit on the number of extensions. The bond interest rate for the extension period will be equal to the midpoint yield of the US Treasury Bill, with the maturity closest to 365 days plus ten basis points.

D. Debt Service Requirements

Primary government debt service requirements on June 30, 2022, were as follows (in thousands):

Fiscal Year Ended June 30:	Governmental Activities					
	General Obligation Bonds		Special Revenue Bonds		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 18,765	\$ 4,166	\$ 5,225	\$ 326	\$ 728	\$ 41
2024	13,541	3,772	1,510	115	732	41
2025	13,300	3,310	1,545	90	403	41
2026	13,640	2,844	1,300	65	408	41
2027	13,820	2,371	1,015	46	413	41
2028 - 2032	48,251	5,017	2,100	47	2,155	204
2033 - 2037	6,760	652	—	—	1,834	82
2038 - 2042	2,695	108	—	—	290	—
Total	\$ 130,772	\$ 22,240	\$ 12,695	\$ 689	\$ 6,963	\$ 491

Fiscal Year Ended June 30:	Business Type Activities	
	INTERCAP Limited Obligation Bonds ⁽¹⁾	
	Principal ⁽²⁾	Interest
2023	\$ —	\$ 434
2024	—	434
2025	—	434
2026	—	434
2027	—	434
2028 - 2032	—	434
Total	\$ —	\$ 2,604

(1) The bonds are payable with a one-year extension to the Unified Investment Program (UIP). The current variable rate of the interest on the bonds is 0.632% resulting in projected debt service requirements as of June 30.

(2) The bond redemption period can be extended.

E. Summary of Changes in Long-term Liabilities

Primary government long-term liability activities for the year ended June 30, 2022, were as follows (in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
<u>Governmental activities</u>						
Bonds/notes payable						
General obligation bonds	\$ 127,633	\$ 16,035	\$ 12,896	\$ 130,772	\$ 18,765	\$ 112,007
Special revenue bonds	21,930	—	9,235	12,695	5,225	7,470
Notes payable	6,928	668	633	6,963	728	6,235
	156,491	16,703	22,764	150,430	24,718	125,712
Unamortized premium	14,846	—	2,059	12,787	—	12,787
Total bonds/notes payable ⁽³⁾	171,337	16,703	24,823	163,217	24,718	138,499
Other liabilities						
Lease payable ⁽⁴⁾	158,984	5,449	19,748	144,685	19,230	125,455
Financed purchase payable ⁽⁴⁾	17,379	1,436	4,296	14,519	2,682	11,837
Compensated absences payable ⁽¹⁾	115,355	53,672	60,438	108,589	59,986	48,603
Estimated insurance claims ⁽²⁾	112,942	224,602	234,004	103,540	55,153	48,387
Pollution remediation	167,515	720	9,547	158,688	22,612	136,076
Net pension liability	2,943,785	26,313	1,054,102	1,915,996	—	1,915,996
Total OPEB liability	141,394	—	22,876	118,518	—	118,518
Total other liabilities	3,657,354	312,192	1,405,011	2,564,535	159,663	2,404,872
Total governmental activities long-term liabilities	\$ 3,828,691	\$ 328,895	\$ 1,429,834	\$ 2,727,752	\$ 184,381	\$ 2,543,371
<u>Business-type activities</u>						
Bonds Payable	\$ —	\$ 68,707	\$ —	\$ 68,707	\$ —	\$ 68,707
Lease payable ⁽⁴⁾	4,066	—	361	3,705	359	3,346
Compensated absences payable ⁽¹⁾	2,299	1,089	1,079	2,309	1,069	1,240
Estimated insurance claims	17,684	103,230	106,419	14,495	11,459	3,036
Net pension liability	15,290	—	4,700	10,590	—	10,590
Total OPEB liability	2,450	—	420	2,030	—	2,030
Total business-type activities long-term liabilities	\$ 41,789	\$ 173,026	\$ 112,979	\$ 101,836	\$ 12,887	\$ 88,949

⁽¹⁾ The compensated absences liability attributable to the governmental activities will be liquidated by several governmental and internal service funds. The Employee Group Benefits and Administration Insurance internal service funds will liquidate the estimated insurance claims liability.

⁽²⁾ \$17.1 million Administration Insurance Plans included in the table above are related to a catastrophic property loss for which the insurance proceeds were received prior to the expenses incurred.

⁽³⁾ Deferred outflows, including those related to bonds payable, are reported separately on the Statement of Net Position based on GASB Statement No. 65.

⁽⁴⁾ The beginning balance has been restated for the implementation of GASB Statement No. 87.

F. Refunded and Early Retired Debt

Prepayments

The Department of Natural Resources and Conservation (DNRC) used current available resources to prepay special revenue bond series 2020L in the amount of \$645.0 thousand, resulting in the reduction of the outstanding balance. DNRC used current available resources to prepay special revenue bond series 2020M in the amount of \$2.1 million, resulting in a payoff.

Refundings

On January 25, 2022, BOI issued new special, limited obligation bonds and used current financial resources to defease BOI demand bonds. Further detail is provided in Section B of Note 11.

G. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The related debt issued does not constitute a debt, liability, obligation, or pledge of faith and credit of the State. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Montana Board of Investments (BOI)

BOI is authorized to issue Qualified Zone Academy Bonds (QZAB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues, and in some cases, the taxing power of the borrower, are pledged to repay the bonds. At June 30, 2022, QZAB debt outstanding aggregated \$3.5 million.

BOI is also authorized to issue Qualified School Construction Bonds (QSCB) under the Municipal Finance Consolidation Act as conduit (no-commitment) debt. The revenues of the borrower are pledged to repay the bonds. At June 30, 2022, QSCB debt outstanding aggregated \$2.6 million.

H. Estimated Pollution Remediation Obligation

Estimated pollution remediation obligations address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The estimates are derived using the expected cash flows method and technical estimates from record of decisions, consent decrees, and/or settlement agreements. There may be factors influencing the estimates that are not known at this time. Prospective recoveries from other responsible parties may reduce the State's obligation.

The State's estimated pollution remediation liability as of June 30, 2022, was \$158.7 million. Of this liability, \$3.5 million resulted in settlement agreements to restore natural resources, water supplies, and natural resource-based recreational opportunities up to the settlement amount; \$155.2 million is based on decrees or settlements for remediation activities. Other estimated liabilities have been recorded for soil and Polychlorinated Biphenyls (PCB) contamination and removal of asbestos contamination. The estimated pollution remediation liability was recorded in compliance with accounting and reporting standards and does not constitute the State's total acceptance of the liability or responsibility for these matters.

I. Non-Exchange Financial Guarantee

BOI provides loan guarantees from STIP, TFIP, and the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of FFA totaled \$113.5 million as of June 30, 2022. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI receives a credit enhancement fee at FFA bond closing based on the term of the financing, the type of bond, the rating of the borrower, and the type of reserve fund. BOI and FFA have entered into an agreement detailing repayment to BOI. The credit enhancement fee received during the fiscal year was \$385.0 thousand. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2022 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
\$ 100,248	\$ 18,000	\$ 4,675	\$ 113,573

NOTE 12. INTERFUND BALANCES AND TRANSFERS**A. Balances Due From/To Other Funds**

Balances due from/to other funds arise when there is a timing difference between the dates that reimbursable expenditures and interfund services provided/used are recorded in the accounting system and the dates on which payments are made. Balances also arise when there is a timing difference between the dates transfers between funds are recorded and the dates on which payments are made. Balances due from/to other funds also include the current portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. Balances due from/to other funds are expected to be repaid within one year from origination.

Balances due from/to other funds at June 30, 2022, consisted of the following (in thousands):

	Due to Other Funds							Total
	Coal Severance Tax	Federal Special Revenue	General Fund	Internal Service Funds	Nonmajor Enterprise Funds ⁽²⁾	Nonmajor Governmental Funds	State Special Revenue	
Due from Other Funds								
Federal Special Revenue	\$ —	\$ —	\$ 585	\$ —	\$ —	\$ —	\$ 224	\$ 809
General Fund	—	1,708	—	—	23,555	—	25,876	51,139
Internal Service Funds	—	33	368	—	—	—	3	404
Municipal Finance Programs	—	—	—	1,752	—	12	—	1,764
Nonmajor Enterprise Funds	—	—	—	—	—	—	5	5
Nonmajor Governmental Funds	—	4,252	29	—	—	—	804	5,085
State Special Revenue ⁽¹⁾	540	225	211	—	375	2	—	1,353
Total	\$ 540	\$ 6,218	\$ 1,193	\$ 1,752	\$ 23,930	\$ 14	\$ 26,912	\$ 60,559

⁽¹⁾ Total due from other funds to the state special revenue fund on the fund financial statement is reported as \$11.3 million. The difference of \$9.9 million between the amount reported above and the amount reported in the fund financial statement relates to long-term receivables. The receivables are reported on the fund financial statement, and the long-term liabilities are reported on the government-wide statement.

⁽²⁾ Total due to other funds from the nonmajor enterprise funds on the fund financial statement is reported as \$24.1 million. The difference of \$196.1 thousand between the amount reported above and the amount reported on the fund financial statement relates to loans payable. The receivables are reported on the government-wide statement, and the liabilities are reported on the fund financial statement.

B. Interfund Loans Receivable/Payable

Montana statutes include a provision for interfund loans when the expenditure of an appropriation is necessary, and the cash balance in the fund from which the appropriation was made is insufficient to pay the expenditure. Interfund loans receivable/payable are expected to be repaid within one year from the date of origination.

Interfund loans receivable/payable at June 30, 2022, consisted of the following (in thousands):

	Interfund Loans Payable							Total
	Coal Severance Tax	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	State Special Revenue	Land Grant	
Interfund Loans Receivable								
General Fund	\$ 1,931	\$ 98,871	\$ 639	\$ 1,616	\$ —	\$ 11,571	\$ —	\$ 114,628
Internal Service Funds	—	—	—	—	—	57	—	57
Nonmajor Enterprise Funds	—	250	—	—	—	250	—	500
State Special Revenue	—	63,690	25	857	20	—	9	64,601
Total	\$ 1,931	\$ 162,811	\$ 664	\$ 2,473	\$ 20	\$ 11,878	\$ 9	\$ 179,786

C. Advances To/From Other Funds

Advances to/from other funds represent the portion of interfund loans that are not expected to be repaid within one year from the date of origination. Advances to/from other funds also include the noncurrent portion of balances related to amounts loaned by the Municipal Finance Programs to other funds, under the Board of Investments' INTERCAP loan program. For more information on the INTERCAP loan program, refer to Note 11.

Advances to/from other funds at June 30, 2022, consisted of the following (in thousands):

	Advances from Other Funds					Total
	Federal Special Revenue	Internal Service Funds	Nonmajor Governmental Funds	Non Major Enterprise Funds	State Special Revenue	
Advances to Other Funds						
General Fund	\$ 280	\$ —	\$ —	\$ 2,500	\$ —	\$ 2,780
Municipal Finance Programs	—	6,952	2,000	—	—	8,952
Nonmajor Governmental Funds	—	—	—	—	4,561	4,561
State Special Revenue	47,906	—	278	—	—	48,184
Total	\$ 48,186	\$ 6,952	\$ 2,278	\$ 2,500	\$ 4,561	\$ 64,477

Additional detail for certain advance balances at June 30, 2022, follows (in thousands):

Advances from the Municipal Finance Programs under the INTERCAP Loan Program	
Departmental Function	Balance
Natural Resources and Conservation	\$ 3,055
Public Safety	1,843
Transportation	4,054
Total	<u>\$ 8,952</u>

D. Interfund Transfers

Routine transfers between funds are recorded to (1) transfer revenues from the fund legally required to receive the revenue to the fund authorized to expend the revenue, (2) transfer resources from the General Fund and special revenue funds to debt service funds to support principal and interest payments, (3) transfer resources from enterprise funds to the General Fund to finance general government expenditures, and (4) provide operating subsidies.

Interfund transfers for the year ended June 30, 2022, consisted of the following (in thousands):

	Transfers Out								
	Coal Severance Tax	Federal Special Revenue	General Fund ⁽¹⁾	Internal Service Funds ⁽²⁾	Land Grant	Nonmajor Enterprise Funds ⁽³⁾	Nonmajor Governmental Funds	State Special Revenue	Total
Transfers In									
Coal Severance Tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	435	\$ —	\$ 435
Federal Special Revenue	—	—	986	—	—	—	—	1,722	2,708
General Fund ⁽¹⁾	16,561	161	—	20,829	6	67,174	—	26,113	130,844
Internal Service Funds	—	—	1,189	—	—	—	—	2,545	3,734
Land Grant	—	—	53	—	—	—	—	14	67
Nonmajor Enterprise Funds	—	277	—	—	—	—	—	107	384
Nonmajor Governmental Funds	114	5,139	138,063	160	1,341	—	2,196	20,995	168,008
State Special Revenue	13,073	11,096	85,963	319	70,108	11,631	24,059	—	216,249
Unemployment Insurance	—	9,091	—	—	—	—	—	—	9,091
Total	\$ 29,748	\$ 25,764	\$226,254	\$ 21,308	\$71,455	\$ 78,805	\$ 26,690	\$ 51,496	\$531,520

⁽¹⁾ Net transfers between the General Fund and the Budget Reserve Stabilization Fund were \$4.7 million to the Budget Stabilization Reserve Fund; however, those funds are combined for reporting purposes. Therefore the transfers are not accounted for in the above table as both the transfer-ins and the respective transfer-outs have been eliminated as required for proper financial reporting.

⁽²⁾ Total transfers-out for internal service funds on the fund financial statements is reported as \$36.5 million. The difference of \$15.2 million between the amount reported above of \$21.3 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the internal service fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

⁽³⁾ Total transfers-out for nonmajor enterprise funds on the fund financial statements is reported as \$78.8 million. The difference of \$7.2 thousand between the amount reported above of \$78.8 million and the amount reported on the fund financial statements relates to the transfer of capital assets between a governmental fund type and the nonmajor enterprise fund type. When capital assets are transferred between these fund types, the transferring fund reports the net book value of the capital asset as a transfer-out, and the receiving fund reports the net book value of the capital asset as a capital contribution.

NOTE 13. FUND EQUITY DEFICITS

The following funds have a deficit net position remaining at June 30, 2022, as follows (in thousands):

Fund Type/Fund	Deficit
Governmental Funds	
Federal Special Revenue ⁽²⁾	\$ (25,275)
Federal/Private Construction Grants	(1,012)
Internal Service Funds ⁽¹⁾	
Information Tech Services	\$ (12,475)
Admin Central Services	(1,452)
Labor Central Services	(6,549)
Commerce Central Services	(1,120)
OPI Central Services	(1,854)
DEQ Indirect Cost Pool	(3,333)
Payroll Processing	(1,203)
Investment Division	(2,908)
Aircraft Operation	(441)
Justice Legal Services	(948)
Personnel Training	(23)
Other Internal Services	(420)
SABHRS Finance & Budget Bureau	(1,247)
Enterprise Fund ⁽¹⁾	
State Lottery	\$ (2,380)
Subsequent Injury	(85)

⁽¹⁾ The allocation of net pension liability and total OPEB liability is a significant factor in creating these deficits. For more detail related to these liabilities, see Notes 6 and 7, respectively.

⁽²⁾ Delayed fire season federally reimbursable costs, which are currently reported as unavailable revenues within deferred inflow of resources, is a significant factor creating this deficit.

NOTE 14. MAJOR PURPOSE PRESENTATION

Special Revenue and Fund Balances Classifications by Purpose – In the governmental fund financial statements, classifications of special revenue fund revenues and fund balances are presented in the aggregate. The tables presented below further display the special revenue fund revenues and fund balances by major purpose for the year ending June 30, 2022.

State Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Licenses/permits	\$ 137,458	\$ 53,708	\$ 27,211	\$ 1,465	\$ 147	\$ 98,226	\$ 318,215
Taxes	326,047	6,531	282,846	—	—	15,899	631,323
Charges for services	31,008	18,153	7,060	31,035	4,018	36,676	127,950
Investment earnings (losses)	334	(3,120)	250	50	(400)	(2,697)	(5,583)
Securities lending income	—	8	—	—	1	15	24
Sale of documents/ merchandise/property	1,467	4,499	196	60	3	5,423	11,648
Rentals/leases/royalties	339	17	661	48	2	302	1,369
Contributions/premiums	33,367	—	—	4,562	—	4,490	42,419
Grants/contracts/donations	2,398	601	120	6,455	10,820	3,418	23,812
Federal	7,997	—	—	—	—	—	7,997
Federal indirect cost recoveries	—	14	39,515	152	—	6,214	45,895
Other revenues	2,248	633	285	150	285	1,268	4,869
Transfers in	34,555	8,980	1,652	30,465	10,018	130,579	216,249
Total State Special Revenue	\$ 577,218	\$ 90,024	\$ 359,796	\$ 74,442	\$ 24,894	\$ 299,813	\$ 1,426,187

Federal Special Revenue By Source (in thousands)

	General Government	Public Safety	Transportation	Health and Human Services	Education	Natural Resources	Total
Charges for services	\$ 1,226	\$ 7	\$ —	\$ 5,534	\$ 247	\$ —	\$ 7,014
Investment earnings (losses)	206	4	—	—	4	13	227
Grants/contracts/donations	—	—	—	—	26	—	26
Federal	288,081	15,737	468,264	2,603,158	394,704	104,621	3,874,565
Federal indirect cost recoveries	—	—	—	95,050	98	236	95,384
Other revenues	18	4	—	407	—	1	430
Transfers in	—	1,493	—	229	986	—	2,708
Total Federal Special Revenue	\$ 289,531	\$ 17,245	\$ 468,264	\$ 2,704,378	\$ 396,065	\$ 104,871	\$ 3,980,354

Governmental Fund Balance By Function, June 30, 2022
(in thousands)

	Special Revenue			Permanent		Nonmajor	Total
	General	State	Federal	Coal Severance Tax	Land Grant		
Fund balances:							
Nonspendable							
Inventory	\$ 5,906	\$ 22,683	\$ —	\$ —	\$ —	\$ —	\$ 28,589
Permanent fund principal	—	500	—	662,613	873,939	410,852	1,947,904
Long-term notes/receivables	2,780	—	—	—	—	—	2,780
Prepaid expenditure	835	393	202	—	—	—	1,430
Total nonspendable	9,521	23,576	202	662,613	873,939	410,852	1,980,703
Restricted							
General government	—	7,400	—	—	—	15,825	23,225
Public safety	—	162,894	—	—	—	1	162,895
Transportation	—	163,579	—	—	—	—	163,579
Health and human services	—	44,335	—	—	—	602	44,937
Education	—	23,347	—	—	—	7	23,354
Natural resources	—	796,954	—	—	—	16,042	812,996
Total restricted	—	1,198,509	—	—	—	32,477	1,230,986
Committed							
General government	118,904	189,738	—	553,694	—	382,884	1,245,220
Public safety	—	84,370	—	—	—	—	84,370
Transportation	—	27,540	—	—	—	—	27,540
Health and human services	—	71,183	—	—	—	—	71,183
Education	—	32,297	—	—	—	—	32,297
Natural resources	—	444,716	—	—	—	29,506	474,222
Total committed	118,904	849,844	—	553,694	—	412,390	1,934,832
Assigned							
General government	—	—	—	—	—	547	547
Public safety	—	—	—	—	—	156	156
General Fund spend down	75,000	—	—	—	—	—	75,000
Encumbrance	19,626	—	—	—	—	—	19,626
Total assigned	94,626	—	—	—	—	703	95,329
Unassigned	1,773,568	—	(25,477)	—	—	(1,012)	1,747,079
Total fund balance	\$ 1,996,619	\$ 2,071,929	\$ (25,275)	\$ 1,216,307	\$ 873,939	\$ 855,410	\$ 6,988,929

NOTE 15. RELATED PARTY TRANSACTIONS

The Montana School for the Deaf and Blind is associated with a foundation, which is a nonprofit organization outside of state government. The school's foundation is governed by a board of directors that annually approves a budget for the financial support to be provided to the school. This budget defines the allowable expense categories for the year. A foundation accountant is the person approving the expenses to be paid by the foundation based on its budget. The accountant submits the approved invoices to the foundation's bookkeeper, who then prepares the checks and submits them to a board member who reviews backup documentation and signs the checks.

The Department of Labor and Industry Workforce Services Division rents space in Libby, MT from Mineral Plaza, LLC, in which one of the owners is a local job service manager. The term of the lease is July 1, 2013, through June 30, 2023. The annual lease amount for fiscal year 2022 was \$21.3 thousand.

The Department of Labor and Industry Workforce Services Division rented space in Cut Bank, MT from Glacier Community Health Center, Inc., in which one of the active board members is a local job service manager. The term of the lease was July 1, 2019, through August 31, 2022. The annual lease amount for 2022 was \$35.0 thousand. This lease is not being renewed.

A relative of a member of Montana Department of Transportation's (MDT) management team is part owner of a business that holds a State term contract for supplies. A term contract is a contract in which a source for supplies is established for a specific period of time at a predetermined unit price. The term contracts are issued by the State Procurement Bureau of the Department of Administration (DOA) and state agencies are required to use the DOA issued term contracts for such supplies. MDT purchased supplies from this business in the amount of \$10.0 thousand for the fiscal year ended June 30, 2022.

A relative of a member of MDT's Management Team is part owner of a business which has been granted the right by the local airport to operate and provide related services. There is only one such operator at this airport. Given this exclusivity, MDT had transactions with this business. MDT purchased services in the amount of \$36.8 thousand for the fiscal year ended June 30, 2022.

Per Sections 85-1-617 and 85-1-624, MCA, Renewable Resource Grant and Loan Program, the Department of Natural Resources and Conservation (DNRC) is eligible to issue General Obligation (GO) bonds for the purpose of making private sale loans. DNRC has applied and received "recycled loan funds" from the State Revolving Fund (SRF) program for the non-point source private loan program. The loans are GO private sale bonds. The balances for loans in repayment for fiscal year 2022 was \$278.2 thousand. The loans have interest rates of 2.5% and are repaid over 15 years. These loans are presented as Advances to Other Funds on the balance sheets.

DNRC leases an office building in Glasgow, Montana, from a current DNRC employee. Annual lease payment for the building by DNRC is \$67.5 thousand. The lease is valid through September 30, 2025. This employee is not involved in any decision making in regards to the agency lease of the office building.

Per Administrative Rules of Montana 17.58.101, the Montana Petroleum Tank Release Compensation Board (Board) is an independent board that is attached to Department of Environmental Quality (DEQ) for administrative purposes only. Board members are required to follow Montana's code of ethics, which includes recusing oneself in matters related to a conflict of interest. DEQ is required to go through a competitive bidding process to ensure this State law is followed. Four Board members were identified as having related party transactions with DEQ. These relationships include members who are: 1) an officer of a company that had a release and is receiving funds; 2) an officer of a company that is receiving funds; 3) a contractor/owner that is receiving funds; and 4) an employee of a company that had a release and is receiving funds. Total payments to all related parties were direct payments to the contractors in the amount of \$174.7 thousand, \$40.1 thousand, \$264.4 thousand, and \$1.0 million, respectively, for the fiscal year ended June 30, 2022.

There are campus-affiliated foundations within the Montana University System (MUS) identified in the Montana Board of Regents of Higher Education Policy 901.9 – Campus-Affiliated Foundations; Montana University System Foundation. The private foundations affiliated with campuses of the MUS provide support to their respective campuses, consistent with the mission and priorities of such campuses. Transactions occur between the Commissioner of Higher Education and said foundations as reimbursements for hosting MUS constituents and other related events and gatherings. Amounts differ each year based on the number of activities and events hosted in each fiscal year. For fiscal year 2022, transactions totaled \$1.9 thousand.

The MUS Group Insurance program offers insurance coverage and collects insurance premiums from the community colleges as a related party. Through December 31, 2021, insurance coverage was offered to the campus-affiliated foundations and insurance premiums were collected. The premium revenue collected was \$5.5 million for the fiscal year ended June 30, 2022. The MUS Group Insurance program no longer provides coverage for any affiliated foundations.

All lotteries that offer multi-state games transact with the Multi-State Lottery Association (MUSL), which requires the lottery directors from each of the states to be on the MUSL board of directors. The Director of the Montana Lottery is on the MUSL board along with other directors of other states. The Director of the Montana Lottery is in a position to vote and have influence for both MUSL and the Montana Lottery who have significant transactions between each other. The Montana Lottery has prize reserves with MUSL in the amounts of \$1.1 million for the fiscal year ended June 30, 2022. The prize reserve monies are assets to the Montana Lottery and would be transferred over if the Montana Lottery were to quit any of the multi-state games. Weekly, MUSL collects each state's share of prize expenses to go towards respective jackpots. If a state has a large enough prize amount or number of winners for any particular draw, MUSL would then reimburse any state for the excess amount of prizes paid out. The Montana Lottery paid MUSL \$7.3 million for its share of prizes and received reimbursements for prizes in the amount of \$2.4 million for the fiscal year ended June 30, 2022.

NOTE 16. CONTINGENCIES

Litigation

The State is party to legal proceedings, which normally occur in government operations. In the opinion of the State's legal counsel and the Department of Administration, the likelihood the legal proceedings will have a material adverse impact on the State's financial position is remote, except where listed below.

PPL v. Montana involves ownership of sections of riverbed on the Missouri, Clark Fork, and Madison rivers. The case originated in 2003, when a group of parents of school-age children sued Petitioner PPL Montana, LLC (PPL), in Federal Court, alleging that the company must pay rent for the use of state-owned riverbeds to generate hydroelectric power. After the Federal Court dismissed the case for lack of jurisdiction, PPL filed an action in state district court seeking a declaration that the state could not charge them rent for the use of the riverbeds at issue. The State intervened in the case and counterclaimed for a declaration that PPL and its co-plaintiffs unlawfully occupied state lands and must compensate the State Land Trust on behalf of its public beneficiaries for the use of those lands. The legal test for ownership of the riverbeds is whether the rivers at issue were navigable at the time of statehood. Based upon the historical record, the District Court granted the State summary judgment on the question of navigability, and the case proceeded to trial on the issue of compensation for the use of trust lands. In June of 2008, the Court issued its ruling and ordered that PPL owed the State almost \$41.0 million for past use of the riverbeds.

PPL appealed the decision to the Montana Supreme Court. The case was briefed and argued before the Court. In March of 2010, the Montana Supreme Court issued a decision upholding the district court's finding of navigability and determination of compensation.

PPL appealed the case to the United States Supreme Court. The case was briefed and argued, and in February of 2012, the Court reversed the Montana Supreme Court's decision. The United States Supreme Court concluded that the Montana courts had applied an incorrect legal standard for determining a river's navigability. The Court clarified that navigability had to be determined on a segment-by-segment basis. The Court remanded the case for further proceedings, and the case currently is pending in the Montana First Judicial District, Lewis and Clark County, Judge Michael McMahon presiding. The cause number is CDV 2004-846. Additional detail is provided below as the case has been remanded to the United States District Court, District of Montana, Helena Division.

The most obvious impact of the Supreme Court's decision is that the State is no longer entitled to the \$41.0 million judgment. The monetary amount that the State may be entitled to depends on the navigability of the rivers, which will have to be determined under the Supreme Court's segment-by-segment approach. Going forward, the litigation will focus on applying the Supreme Court's segmentation approach to determine the navigable reaches of the Madison, Clark Fork, and Missouri Rivers. At this stage, it is difficult to predict an outcome of this litigation.

A less obvious financial impact is the bill of costs that PPL submitted to the district court following the remand. PPL requested that the district court tax the State of Montana with \$1.2 million for PPL's costs relating to the appellate proceedings. All, but approximately \$31.0 thousand, relate to premiums that PPL paid for a supersedeas bond in support of staying the \$41.0 million judgment. In May 2012, the State filed its response to PPL's bill of costs and agreed to costs for \$31.3 thousand. However, the State moved the court to deny PPL's request for costs related to the supersedeas bond. The parties stipulated to hold this issue in abeyance until the court rules on all remaining matters in the case. Counsel for the State has agreed to release the supersedeas bond. In the opinion of counsel, there are good legal arguments that support the State's position that it should not be required to pay the supersedeas bond premiums; however, legal and procedural uncertainties exist that make an adverse determination reasonably possible.

This case is now known as State of Montana v. Talen Montana, LLC et al. (Cause No. CV 16-35-H-DLC-JCL). A bench trial occurred on January 3 through January 19, 2022. No decision was made by the Judge. The parties were required to submit amended proposed findings of fact and conclusions of law.

The State of Montana submitted its proposed findings and conclusions on April 29, 2022, and an amended proposed findings and conclusions on May 13, 2022. Talen filed notice of suggestion of bankruptcy on May 10, 2022. The Court entered an automatic stay of proceedings because of the bankruptcy filing on June 23, 2022. The Court lifted the stay on September 16, 2022, and ordered Talen to respond to Montana's amended proposed findings of fact and conclusions of law by October 6, 2022, which Talen complied with on October 6, 2022. The Court has not rendered a decision on parties' proposed findings of fact and conclusions of law. The State's claims against the utilities remained unchanged throughout trial and the State still holds the opinion that no further potential liability to the State is expected relative to this action.

Diaz et al. v. Blue Cross and Blue Shield of Montana et al. (Diaz) was a lawsuit filed in the Montana First Judicial District Court, Lewis and Clark County, Cause No. BVD-2008-956, in October 2008, by plaintiffs Jeanette Diaz, Leah Hoffman-Bernhardt, and Rachel Laudon, individually, and on behalf of others similarly situated, naming Blue Cross and Blue Shield of Montana (BCBS), New West Health Services (New West), Montana Comprehensive Health Association, and the State of Montana (State) as defendants. The complaint alleges that the defendants have violated the made-whole laws of Montana and illegally given themselves subrogation rights.

On June 12, 2009, the Plaintiffs filed with the District Court a motion for class certification. The District Court Judge denied the Plaintiffs' motion for class certification on December 16, 2009. The Plaintiffs appealed this decision to the Montana Supreme Court. As part of the review of the underlying decision denying class certification, the Montana Supreme Court remanded the case to the District Court to determine the question of whether the made-whole laws, codified in Section 2-18-902 and Section 33-30-1102, MCA, apply to the various types of third-party administrators (TPAs) at issue in Diaz. The District Court held that these laws do not apply to TPAs. The Plaintiffs appealed this decision.

On December 21, 2011, the Supreme Court issued its decision, holding that the District Court abused its discretion in denying a class action and that BCBS and New West, as TPAs of the State's health plan, are not subject to the made-whole laws as "insurers" under Section 2-18-901 to 902, MCA, or under a third-party beneficiary theory.

On June 20, 2012, the District Court ruled on the State's summary judgment motion seeking an order from the court that the State has not violated the made-whole laws in the administration of its health plan. The court denied the State's motion, ruling that the State is an insurer for the purposes of the made-whole laws and that it must conduct a made-whole analysis before exercising and subrogation/coordination of benefits rights. The State filed with the District Court a motion requesting that the court certify its decision to the Montana Supreme Court. The District Court granted the motion, and the Montana Supreme Court, over Plaintiffs' objection, ultimately agreed in a November 27, 2012, Order to hear this issue. The Plaintiffs also appealed to the Montana Supreme Court, the District Court's definition of the class action.

On August 6, 2013, the Montana Supreme Court issued its opinion, affirming the Montana First Judicial District Court's decision defining the class action to include only those State benefit plan members who had timely filed claims for covered benefits for services that took place no earlier than eight years before the filing of the Plaintiffs' complaint, which was October 23, 2008.

On November 6, 2013, the Montana Supreme Court issued its opinion, affirming the District Court's June 20, 2012 Decision that the applicable made-whole laws apply to the State benefit plan.

On September 8, 2014, the District Court issued an order ruling on several motions that the parties had filed. The principal rulings were: (i) the Court authorized Plaintiffs to proceed with additional discovery to determine if the class definition should be altered or amended; (ii) given its order to allow additional discovery, the Court held in abeyance its decision on the State's Motion for Summary Judgment requesting that the class be limited to those who timely filed claims within the one-year filing restriction contained in the State's policy; (iii) the Court granted the Plaintiffs' motions asking the Court to require the State to conform its health plans, procedures, notices, and practices to comply with the Montana Supreme Court's rulings in this case and to pay covered medical expenses, await the resolution of claims

against liability carriers, and then conduct a made-whole determination before it can exercise subrogation or accept reimbursements from its members or providers; and (iv) the Court ordered the parties to develop a class notice to be sent to past and current plan members dated back to eight years before this suit was filed. The State and Plaintiffs' counsel developed the notice that has been sent to class members.

On April 13, 2015, the District Court issued an Order on Interest to Be Paid, requiring the State to include in the payments ultimately made to class members' interest at the rate of 10.0% per annum. For claims arising before December 24, 2009, interest would begin 30 days following the Montana Supreme Court's decision in Blue Cross and Blue Shield of Montana, Inc. v. Montana State Auditor. For any claims arising after December 24, 2009, interest would begin starting on the day the underlying medical expenses were incurred.

On October 5, 2015, the Plaintiffs filed with the District Court a motion directing the State to pay attorney fees arising from the class action suit. On November 9, 2015, the District Court issued an order denying Plaintiffs' motion for attorney fees.

On December 14, 2015, the District Court issued an order certifying that its orders concerning interest and attorney fees were final for purposes of an appeal to the Montana Supreme Court. On January 12, 2016, the Plaintiffs filed a Notice of Appeal with the Montana Supreme Court, appealing the interest and attorney fee orders.

Pursuant to the Montana Supreme Court's mandatory mediation process, the parties reached a settlement on attorney fee payments; however, the parties did not reach agreement on the interest issue. On October 25, 2016, the Montana Supreme Court issued its ruling on the interest issue, finding that November 14, 2009, is the date that interest commences; and, for claims arising after November 14, 2009, interest will begin starting on the day the underlying medical expenses were incurred.

On April 28, 2017, the District Court appointed a Special Master to consider and resolve issues regarding expanding the class to persons with unsubmitted claims; whether to include claims after 2009; whether the State must identify members from third party administrators other than Blue Cross/Blue Shield; whether, if at all, the State must reform its systematic practices; supervising the payment and notice process; which party or parties should pay the Special Master for her time and expenses; whether the District Court should approve a partial payment of attorney fees; setting a time frame for making claims; setting a time for ending the class action; determining payment of residual funds; and any other issues as necessary to facilitate the swift and equitable resolution of the case.

As of June 30, 2017, the State paid Plaintiffs \$1.4 million in based payments plus interest.

On June 21, 2017, the Special Master issued a report and recommended order regarding the partial payment of the Plaintiffs' counsels' attorney fees. This recommendation was based on a stipulation the State and the Plaintiffs' counsel had reached, agreeing that the State would pay counsel \$400.8 thousand for claims made by individuals that could be documented. The State has paid this amount to class counsel.

The Special Master issued a second report and recommended order expanding the class on August 8, 2018. The principal findings of this recommendation were to expand the class definition to include those individuals who did not submit claims to the State for processing; to expand the class to end June 30, 2016; and to redefine the class as (a) employees, employee dependents, retirees, and retiree dependents who participate or participated in the State of Montana's health benefit plan(s), administered or operated by the State and/or the third party administrators whose claims for covered benefits took place no earlier than eight years prior to the filing of the complaint in this action, which was October 23, 2008; (b) who were injured through the legal fault of persons who have legal obligations to compensate them for all damages sustained; and (c) who have not been made whole for their damages (or for whom the State and TPAs conducted no made-whole analysis) because the State and the third party administrators

programmatically failed to pay benefits for their covered medical costs. On October 29, 2018, the District Court Judge issued an Order Adopting the Special Master's Report Expanding the Class.

As of June 30, 2018, the State paid Plaintiffs \$1.7 million in based payments plus interest.

On April 23, 2019, the District Court Judge approved the parties' motion for a process to identify and distribute residual funds for known class members on the master list for Blue Cross Blue Shield of Montana claims. On May 2, 2019, the State issued payment of \$122.0 thousand to the Hunt Law Firm for the residual funds and interest thereon.

On May 1, 2019, the parties filed the Notice to Special Master of Agreement on Notice Procedure. Pursuant to that notice, the State distributed notices to all former and current State employees enrolled in the State health plan between January 1, 2010, through June 30, 2016. Notice was distributed through email and first-class mail. The initial distribution of notices was May 23, 2019. The deadline for a claimant to return a claim to the State was November 30, 2019.

As of June 30, 2019, the State paid Plaintiffs \$2.0 million, including the payment for residual funds and interest.

As of June 30, 2020, the State paid Plaintiffs \$2.9 million for claim payments, interest, and attorney fees for Plaintiffs' counsel.

As of February 28, 2021, the state paid Plaintiffs a cumulative \$3.0 million for claim payments, interest, and Plaintiffs' attorney fees.

On March 23, 2021, Plaintiffs filed a motion to enforce an October 29, 2018 Order to address first party medical payments coverage in casualty insurance policies (the "Med-pay Claims"). Plaintiffs contend that the Med-pay Claims should be paid. On July 23, 2021, Special Master held a hearing on Plaintiffs' motion.

As of June 30, 2022, the amount State paid Plaintiffs for claim payments, interest, and attorney fees for Plaintiffs' counsel was unchanged from February 28, 2021.

Since the case is ongoing, the State does not have sufficient information to determine the ultimate cost to the State.

Disability Rights Montana v. Gootkin and Salmonsens (Cause # CV-15-22) is a civil rights case filed by the ACLU of Montana on behalf of Plaintiff, alleging deliberate indifference in the provision of mental health care to seriously mentally ill inmates at Montana State Prison. Plaintiff sought only declaratory and injunctive relief and later amended its complaint, seeking similar relief under Section 1983 of Title 42 of the United States Code, the Civil Action for Deprivation of Rights. The District Court had dismissed the case for failure to state a claim, which order was appealed by Plaintiffs to the Ninth Circuit Court of Appeals. The Ninth Circuit Court of Appeals overturned the district court's ruling and remanded the case back to the district court in front of a new judge. As a result, the Department of Corrections (Department) has participated in on-going discovery, with the aid of outside expert witnesses and the defense of the case through outside legal counsel. The parties had previously exchanged settlement proposals without success. Because of legislation enacted during the 2019 legislative session, the Department implemented significant changes in the use of restrictive housing, especially as related to seriously mentally ill inmates. The Plaintiff seeks only prospective injunctive and declaratory relief, as well as reasonable attorneys fees, litigation expenses and costs, which could likely exceed \$1.0 million.

On April 10, 2022, the parties entered into a settlement agreement in which the Department agreed to institute a number of changes in procedures related to the housing and treatment of the seriously mentally ill inmates at Montana State Prison, to be monitored by an independent monitor. The parties were responsible for their own attorneys fees and other litigation costs. At this time, the Department is unable to specify an anticipated amount of financial obligation imposed by the settlement.

Vincent, Benner, and Hoch v. DPHHS (CDV-19-0314, Eighth Judicial District Court, Cascade County) was filed on May 17, 2019, by Montana Optometric Association members seeking class certification of all licensed Montana optometrists who are participating providers in Montana Medicaid. The named plaintiffs claim the Department's Medicaid rate structure discriminates against them because they are paid less than physicians (doctors of medicine or doctors of osteopathy) for performing the same services. They cite Section 37-10-104, MCA, as the basis of the discrimination claim. They seek declaratory relief and permanent injunctive relief in their claims of discrimination, violations of MAPA, breach of contract, and implied covenant of good faith. They request damages, interests, costs, and attorney fees, which would amount to more than \$1 million. Plaintiffs' motion for class certification has been fully briefed and awaiting decision since December of 2020.

Blixseth v. Montana Department of Revenue (MDOR), (BK Case No. 11-15010) Mr. Blixseth filed a Complaint in US Bankruptcy Court, District of Nevada, on December 23, 2021, against MDOR seeking costs, attorneys fees, and proximate and punitive damages. On January 25, 2022, the Department filed a Motion to Dismiss the adversary proceeding asserting Eleventh Amendment sovereign immunity. On July 27, 2022, the Bankruptcy Court granted the Department's Motion to Dismiss as to the punitive damages. However, the Bankruptcy Court denied the Department's Motion as to costs, attorneys fees, and proximate damages. The Department filed a Notice of Appeal to the 9th Circuit Bankruptcy Appellate Panel on August 10, 2022. Mr. Blixseth filed a Motion for Summary Disposition and an opposing motion to the Department's Notice of Appeal before the 9th Circuit on December 16, 2022. On that same day, Mr. Blixseth filed a Motion for Sanctions. The Department's opening brief was due to be filed December 23, 2022. The Department filed an extension motion on the opening brief but the 9th Circuit denied the motion stating that the briefing schedule is stayed until resolution of Mr. Blixseth's Motion for Summary Disposition. On December 22, 2022, the Department file a response to Mr. Blixseth's Motion for Summary Disposition and he replied on December 28, 2022. The matter remains pending before the 9th Circuit. At this time, the litigation is still dealing with the threshold jurisdictional question and no discovery has been conducted. Without answers to the jurisdictional question and the without discovery, the "degree of probability of an unfavorable outcome and any associated loss" cannot be reasonably estimated.

Portland General Electric, et al. v. North Western Energy, et al., (U.S. District Court for the District of Montana, Billings Division, CV 21-47-SPW-KLD.) The Pacific Northwest owners of Colstrip Units 3 and 4 brought constitutional challenges to SB 265 and SB 266 (2021) and other claims against Talen Montana, LLC and Northwestern Energy. The challenge to SB 266 was filed against Attorney General Austin Knudsen under a 42 U.S.C. 1983 theory, which allows recovery of attorneys' fees if successful. On October 10, 2022, Judge Watters granted summary judgment to plaintiffs, declaring SB 266 unconstitutional as violating the Contracts Clause and the Commerce Clause of the U.S. Constitution. Final judgment was entered November 15, 2022.

The Plaintiff Pacific Northwest owners have demanded approximately \$1.2 million in attorneys' fees and costs. The state is attempting to schedule a mediation of the attorneys' fees and costs issues with Magistrate Judge Johnson for some time in February. The Attorney General will not appeal the merits of the summary judgment decision.

Public Employee Retirement Board (PERB) – Refer to Note 6, section K, for contingency disclosure information.

Montana State Fund – Refer to Note 18, Section O, for contingency disclosure information.

Federal Contingencies

Federal Grants – The State receives significant financial assistance from the Federal government in the form of grants and entitlements, including several non-cash programs (which are not included in the basic financial statements). Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all grants are subject to either the Federal Single Audit Act or financial and compliance audits by the granter agencies of the Federal government or their designees. Disallowances and sanctions as a result of these audits may become liabilities of the State. The State's

management believes ultimate disallowances and sanctions, if any, will not have a material effect on the basic financial statements.

Food Distribution Program – The amount reported for Food Distribution programs (Assistance Listing Number (ALN) #10.555, #10.565, #10.567, #10.569, and #93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the State to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. The State also distributes food commodities to other states in the western region of the United States, the value of which is excluded from the reported amounts. During fiscal year 2022, the State distributed \$288.3 thousand of food commodities under ALN #10.567 to other states.

The State distributed \$10.6 million in commodities in fiscal year 2022. The value at June 30, 2022, of commodities stored at the State's warehouse, is \$6.6 million, for which the State is liable in the event of loss. The State has insurance to cover this liability.

Miscellaneous Contingencies

Gain Contingencies – Certain natural resource and corporate tax assessments are not reported on the State's financial statements because they are being protested administratively. As of June 30, 2022, the following assessments (by fund type) were outstanding (in thousands):

<u>Taxes</u>	<u>General Fund</u>	<u>Special Revenue</u>
Corporate Tax	\$ 10,335	\$ —
Oil & Gas Production Tax	177	32
Total	<u>\$ 10,512</u>	<u>\$ 32</u>

The collectability of these contingencies is dependent upon the decisions of the court, other authorities, or agreed upon settlements. The corporate tax assessments include material estimates that could result in a significant reduction of the tax assessed once actual numbers are provided. Interest related to corporate tax assessments is distributed to the General Fund and is included in the assessment total above.

The oil and gas production tax noted above represents the state portion of the total protested amount of \$391.6 thousand.

Loss Contingencies – Certain corporations have requested refunds that are not reported on the State's financial statements as of June 30, 2022. The corporations have appealed the Department of Revenue's decision to deny or adjust the refund. As of June 30, 2022, these include \$8.6 million of General Fund corporation tax refunds. \$4.6 million of the \$8.6 million total is related to interest. It is estimated this corporation tax refunds could be significantly reduced or eliminated due to audits and appeals currently in process.

NOTE 17. SUBSEQUENT EVENTS

Investment Related Issues

Since June 30, 2022, the Board of Investments (BOI) has:

1. Made additional commitments to fund loans from the INTERCAP loan program of approximately \$11.1 million.
2. Committed an additional \$350.0 million within Real Estate, \$250.0 million within Real Assets, and \$195.0 million within Private Investments, of which \$595.0 million is related to Consolidated Asset Pension Pool (CAPP), \$185.0 million to Trust Funds Investment Pool (TFIP), and \$15 million to Separately Managed Accounts (SMA).
3. Funded an additional \$12.5 million to Montana lenders from the Coal Severance Tax Permanent Fund's In-State Loan Program.
4. Reserved \$5.1 million for the Veterans' Home Loan Program (VHLM) residential mortgage purchases.

Other Subsequent Events

On July 25, 2022, and September 22, 2022, the Department of Natural Resources & Conversation (DNRC) prepaid debt on the Wastewater 2020J General Obligation Bond in the amount of \$4.7 million and \$985.0 thousand, respectively.

Since June 30, 2022, as a result of the Bipartisan Infrastructure Law (BIL), DNRC has been awarded \$54.8 million of additional federal grant funds.

As part of the National Opioid Settlement (Settlement), on August 16, 2022, and October 4, 2022, the Montana Attorney General partially finalized settlement agreements with certain opioid distributors and manufacturers totaling \$78.0 million. Additional negotiations are expected to finalize the Settlement, which the State has determined an additional \$57.9 million is reasonably possible to be awarded. The Settlement will be used to combat the opioid crisis, with a 15.0% allocation to the State, a 15.0% allocation to Montana local governments, and a 70.0% allocation to The Montana Opioid Abatement Trust (Trust) established by the Attorney General. The State is currently evaluating the reporting nature of the Trust entity.

On January 4, 2023, the Montana Attorney General signed a consent judgment that secured approximately \$6.3 million for the State, to resolve a multi-state investigation over marketing and sales practices with JUUL Labs, an e-cigarette manufacturer. The settlement will be paid out over a period of six to ten years.

On January 10, 2023, a proposed settlement was filed in the U.S. Bankruptcy Court requiring W.R. Grace & Co. to pay \$18.5 million to resolve the Montana Department of Environmental Quality's claims for the Libby Asbestos Superfund Site.

On February 28, 2023, the U.S. Supreme Court (Court) ruled that unclaimed MoneyGrams are similar to money orders, and are governed by the Disposition of Abandoned Money Orders and Traveler's Check Act (Federal Disposition Act or FDA). This Act requires that unclaimed MoneyGrams escheat to the state in which they were purchased. The amount Montana will receive as a result of this case is undetermined.

On March 13, 2023, Governor Gianforte signed several bills into law to provide Montanans immediate tax rebates and permanent, long-term tax relief, including \$500.0 million in permanent income tax relief, \$280.0 million in property tax relief, income tax rebates up to \$1,250, lowering the capital gains tax rates, and increasing the business equipment tax exemption from \$100.0 thousand to \$1.0 million, and to pay off \$40.0 million of the State's general obligation debt over the next two years.

NOTE 18. COMPONENT UNITS**A. Condensed Financial Statements**

Below are the condensed financial statements of the component units for the State of Montana as of June 30, 2022 (in thousands):

	Condensed Statement of Net Position						
	Component Units						
	Montana Board of Housing	Facility Finance Authority	Montana Reinsurance Association ⁽¹⁾	Montana State Fund ⁽¹⁾	Montana State University	University of Montana	Total Component Units
Assets:							
Cash, investments and other assets	\$ 648,579	\$ 9,595	\$ 50	\$ 1,740,765	\$ 829,526	\$ 686,612	\$ 3,915,127
Due from primary government	—	—	—	—	1,030	976	2,006
Due from component units	—	—	—	—	—	263	263
Capital assets (net) (Note 18C)	3,154	65	—	50,049	625,070	402,254	1,080,592
Total assets	651,733	9,660	50	1,790,814	1,455,626	1,090,105	4,997,988
Deferred Outflows of Resources	883	138	—	6,799	66,775	51,747	126,342
Liabilities:							
Accounts payable and other liabilities	10,375	18	192	85,940	58,077	68,498	223,100
Due to primary government	—	—	—	—	1,831	46	1,877
Due to component units	—	—	—	—	263	—	263
Advances from primary government ^{(2) (3)}	—	—	—	—	13,817	2,900	16,717
Long-term liabilities (Note 18I)	481,363	395	39,115	1,034,136	404,307	282,468	2,241,784
Total liabilities	491,738	413	39,307	1,120,076	478,295	353,912	2,483,741
Deferred Inflows of Resources	745	114	—	8,997	61,216	59,859	130,931
Net Position:							
Net investment in capital assets	(47)	—	—	50,051	410,479	254,896	715,379
Restricted	160,180	—	—	—	403,891	414,993	979,064
Unrestricted	—	9,271	(39,257)	618,489	168,520	58,192	815,215
Total net position	\$ 160,133	\$ 9,271	\$ (39,257)	\$ 668,540	\$ 982,890	\$ 728,081	\$ 2,509,658

⁽¹⁾ Montana Reinsurance Association and Montana State Fund report their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2021.

⁽²⁾ Loans from the Coal Severance Tax Permanent Fund make up \$4.3 million and \$2.9 million of these balances for Montana State University and University of Montana, respectively.

⁽³⁾ Loans from the Board of Investment's INTERCAP and the Department of Environmental Quality's energy conversation loan programs make up \$7.7 million and \$1.7 million, respectively, of the balance for Montana State University.

Condensed Statement of Activities

	Component Units						
	Montana Board of Housing	Facility Finance Authority	Montana Reinsurance Association ⁽¹⁾	Montana State Fund ⁽¹⁾	Montana State University	University of Montana	Total Component Units
Expenses	\$ 17,997	\$ 643	\$ 31,732	\$ 210,273	\$ 686,933	\$ 483,135	\$ 1,430,713
Program Revenues:							
Charges for services	2,644	1,153	—	159,680	314,355	177,511	655,343
Operating grants and contributions	15,018	88	17,627	—	275,191	160,404	468,328
Capital grants and contributions	—	—	—	—	18,983	2,209	21,192
Total program revenues	17,662	1,241	17,627	159,680	608,529	340,124	1,144,863
Net (expense) program revenues	(335)	598	(14,105)	(50,593)	(78,404)	(143,011)	(285,850)
General Revenues:							
Unrestricted investment earnings (losses)	—	—	—	46,488	(6,746)	(6,721)	33,021
Transfer from primary government ⁽²⁾⁽³⁾	—	—	7,775	—	147,936	109,755	265,466
Gain (loss) on sale of capital assets	—	—	—	(1)	190	(787)	(598)
Miscellaneous	—	—	—	829	—	1	830
Contributions to term and permanent endowments	—	—	—	—	16	61,179	61,195
Total general revenues and contributions	—	—	7,775	47,316	141,396	163,427	359,914
Change in net position	(335)	598	(6,330)	(3,277)	62,992	20,416	74,064
Total net position – July 1 – as previously reported	160,108	8,680	—	671,819	920,223	707,109	2,467,939
Adjustments to beginning net position (Note 2)	360	(7)	(32,927)	(2)	(325)	556	(32,345)
Total net position – July 1 – as restated	160,468	8,673	(32,927)	671,817	919,898	707,665	2,435,594
Total net position – June 30	\$ 160,133	\$ 9,271	\$ (39,257)	\$ 668,540	\$ 982,890	\$ 728,081	\$ 2,509,658

⁽¹⁾ Montana Reinsurance Association and Montana State Fund report their financial statements on a calendar-year basis. The information provided is for the year ended December 31, 2021.

⁽²⁾ Transfers to both Montana State University and the University of Montana are appropriated by the State legislature to assist with higher education related costs.

⁽³⁾ Transfers to Montana Reinsurance Association is the association member assessments collected by Montana Commissioner of Securities and Insurance.

B. Cash/Cash Equivalents and Investments

Due to the integration of funds and combined financial information, component unit cash and cash equivalents, equity in pooled investments, and investments are included with the primary government in Note 3. For more detail on investments held outside of the Montana Board of Investments, refer to the entity's respective separately issued financial statements.

C. Capital Assets

The following table summarizes net capital assets reported by the discretely presented component units (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

	Montana State University	University of Montana	Other	Total
Capital assets not being depreciated:				
Land	\$ 8,203	\$ 8,306	\$ 1,139	\$ 17,648
Construction work in progress	11,252	25,092	—	36,344
Capitalized collections	9,971	28,338	—	38,309
Livestock for educational purposes	4,332	—	—	4,332
Total capital assets not being depreciated	33,758	61,736	1,139	96,633
Capital assets being depreciated:				
Infrastructure	45,122	9,904	—	55,026
Land improvements	35,200	16,468	—	51,668
Buildings/Improvements	890,961	687,947	27,941	1,606,849
Equipment	185,290	115,210	7,712	308,212
Livestock	—	255	—	255
Library books	67,821	62,845	—	130,666
Leasehold improvements	8,668	—	—	8,668
Right to use lease buildings ⁽¹⁾	36,349	611	8,621	45,581
Right to use lease equipment ⁽¹⁾	395	1,191	61	1,647
Total capital assets being depreciated	1,269,806	894,431	44,335	2,208,572
Total accumulated depreciation	(692,680)	(558,583)	(13,094)	(1,264,357)
Total capital assets being depreciated, net	577,126	335,848	31,241	944,215
Intangible assets	376	822	20,888	22,086
MSU Component Unit capital assets not being depreciated	5,998	—	—	5,998
MSU Component Unit capital assets being depreciated, net	7,812	—	—	7,812
UM Component Unit capital assets not being depreciated	—	1,590	—	1,590
UM Component Unit capital assets being depreciated, net	—	2,258	—	2,258
Discretely Presented Component Units capital assets, net	\$ 625,070	\$ 402,254	\$ 53,268	\$ 1,080,592

⁽¹⁾ Beginning balances for right to use assets were restated due to GASB 87 implementation.

Total right to use lease capital assets (in thousands):

	Montana State University	University of Montana	Other	Total
Right to Use Lease Capital Assets	\$ 36,744	\$ 1,802	\$ 8,682	\$ 47,228
Right to Use Lease Accumulated Amortization	(4,502)	(1,073)	(794)	(6,369)
Total Right to Use Lease Capital Assets, net	\$ 32,242	\$ 729	\$ 7,888	\$ 40,859

D. Other Postemployment Benefits (OPEB)

Non-university component units are included in the State of Montana benefit plan, whereas the Office of the Commissioner of Higher Education (included in the primary government otherwise) is included in the Montana University System benefit plan. For these reasons, component unit OPEB information is included in Note 7.

E. Risk Management

(1) Montana State Fund or New Fund (MSF) – MSF estimates unpaid claims and claim adjustment expenses based on the ultimate cost of settling the claims, including the effects of inflation and other societal/economic factors. There are no significant reductions in insurance coverage from the prior year, nor any insurance settlements exceeding insurance coverage for the last three years for MSF. This fund uses the accrual basis of accounting. Montana State Fund investments are recorded at fair value, and the premiums and discounts are amortized using the scientific interest method over the life of the securities.

This fund provides liability coverage to employers for injured employees who are insured under the Workers Compensation and Occupational Disease Acts of Montana and workers compensation claims occurring on or after July 1, 1990. MSF is a self-supporting, competitive State fund, and functions as the guaranteed market. At December 31, 2021, approximately 23,200 employers were insured with MSF. Anticipated investment income is considered for computing a premium deficiency, and employers must pay premiums to MSF within specified time frames.

An actuarial study prepared by WTW, as of December 31, 2021, estimated the cost of settling claims that have been reported but not settled and claims that have been incurred but not reported. Due to the fact that actual claim costs depend on complex factors such as inflation and changes in the law, claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques. These techniques are used to produce current estimates that reflect recent settlements, claim frequency, and other economic and societal factors.

A provision for inflation is implicit in the calculation of estimated future claim costs because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. As of December 31, 2021, \$936.0 million of unpaid claims and claim adjustment expenses were presented at face value.

Section 39-71-2311, MCA, requires MSF to set premiums, at least annually, at a level sufficient to ensure adequate funding of the insurance program during the period the rates will be in effect. It also requires MSF to establish a minimum surplus above risk-based capital requirements to support MSF against risks inherent in the business of insurance.

For the year ended December 31, 2021, MSF ceded premiums to other reinsurance companies to limit the exposure arising from large losses. These arrangements consist of excess of loss contracts that protect against individual occurrences over stipulated amounts, and an aggregate stop-loss contract which protects MSF against the potential that aggregate losses will exceed expected levels expressed as a percentage of premium. The excess of loss contract provides coverage for occurrences up to \$100.0 million; however, MSF retains the first \$10.0 million of coverage. The excess of loss protection applies to an individual occurrence with a maximum of \$10.0 million on any one life.

The aggregate stop-loss contract provides coverage based on MSF's premium levels not to exceed 20.0% of the subject net earned premium. In the event reinsurers are unable to meet their obligations, under either the excess of loss contracts or the aggregate stop loss contract, MSF would remain liable for all losses, as the reinsurance agreements do not discharge MSF from its primary liability to the policyholders.

Premium revenue was reduced by premiums paid for reinsurance coverage of \$9.5 million during the year ended December 31, 2021.

Estimated claim reserves were reduced by \$725.9 thousand as of December 31, 2021, for the amount of reinsurance estimated to be ultimately recoverable on incurred losses due to the excess of loss reinsurance contract. There were no estimated recoverables due to the aggregate stop-loss contract.

(2) Montana Reinsurance Association (MRA) – MRA estimates its liability for claims that were incurred before year-end, but for which payment will not be made until after year-end. The estimate is based on information concerning incurred but not reported claims provided by MRA members that are currently participating in the Montana individual marketplace. The MRA's Board monitors the estimates with assistance from actuarial consultants, and the necessary adjustments are reflected in current operations. Differences between actual and estimated claims are charged to operations in the year that the differences, if any, become known.

The provision for incurred losses and loss adjustments increased during the years ended December 31, 2021 and 2020. The change is primarily due to unanticipated developments during the year on losses incurred from previous years, and the corresponding change in the actuarial estimates of ultimate liabilities for incurred claims from those years.

(3) Changes in Claims Liabilities for the Past Two Years – As indicated above, the funds establish liabilities for both reported and unreported insured events, including estimates of future payments of losses and related claim adjustment expenses. The following table presents changes (in thousands) in the aggregate liabilities for Montana State Fund net of estimated reinsurance recoverable, and the liabilities for Montana Reinsurance Association. The information presented is at face value and has not been discounted.

Year Ended December 31,	<u>Montana State Fund</u>		<u>Montana Reinsurance Association</u>	
	2021	2020	2021	2020
Unpaid claims and claim adjustments expenses at beginning of year	\$ 940,161	\$ 956,594	\$ 32,890	\$ —
Incurred claims and claim adjustment expenses:				
Provision for insured event of the current year	133,103	125,599	39,116	32,890
Increase (decrease) in provision for insured events of prior years	(29,843)	(27,224)	(7,681)	—
Total incurred claims and claim adjustment expenses	103,260	98,375	31,435	32,890
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current year	(27,152)	(23,890)	—	—
Claims and claim adjustment expenses attributable to insured events of prior years	(80,292)	(90,918)	(25,210)	—
Total payments	(107,444)	(114,808)	(25,210)	—
Total unpaid claims and claim adjustment expenses at end of year	\$ 935,977	\$ 940,161	\$ 39,115	\$ 32,890

F. Lease Payables

Discretely presented component units reported lease payables primarily related to the use of buildings and equipment. Information regarding the right to use assets associated with leases can be found in Section C of Note 18.

Principal and interest requirements to maturity for leases at June 30, 2022, were as follows (in thousands). All component units, other than higher education units, are included under the "Other" caption for this schedule:

Fiscal Year Ended June 30:	Montana State University		University of Montana		Other		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,916	\$ 523	\$ 240	\$ 19	\$ 403	\$ 158	\$ 4,559	\$ 700
2024	3,375	456	175	13	386	149	3,936	618
2025	3,415	393	156	8	367	141	3,938	542
2026	2,680	341	150	26	375	134	3,205	501
2027	2,732	296	21	—	390	127	3,143	423
2028 - 2032	8,606	915	—	—	2,102	512	10,708	1,427
2033 - 2037	3,473	487	—	—	2,429	288	5,902	775
2038 - 2042	1,980	291	—	—	1,482	53	3,462	344
2043 - 2047	2,396	111	—	—	—	—	2,396	111
2048 - 2052	87	—	—	—	—	—	87	—
Total	\$ 32,660	\$ 3,813	\$ 742	\$ 66	\$ 7,934	\$ 1,562	\$ 41,336	\$ 5,441

G. Lease Receivables

The Leases Receivables reported by Montana State University (MSU) and the University of Montana (UM) were associated with the leasing of building space. For the fiscal year ended June 30, 2022, MSU reported total lease revenue of \$375.2 thousand and related interest revenue of \$36.1 thousand while UM reported total lease revenue of \$293.6 thousand and related interest revenue of \$134.8 thousand.

H. Debt Service Requirements

Debt service requirements of discretely presented component units at June 30, 2022, were as follows (in thousands):

Fiscal Year Ended June 30:	Montana Board of Housing		Montana State University		Montana State University Direct Placement		University of Montana	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 15,695	\$ 14,364	\$ 8,303	\$ 7,046	\$ 305	\$ 297	\$ 3,130	\$ 5,348
2024	17,055	14,118	8,563	6,813	350	251	3,255	5,224
2025	17,105	13,754	8,680	6,560	365	240	3,380	5,095
2026	20,000	13,364	9,020	6,252	375	230	3,515	4,962
2027	18,690	12,835	8,295	5,962	385	219	3,670	4,808
2028 - 2032	98,320	55,579	38,295	25,292	2,095	917	21,165	21,217
2033 - 2037	89,935	40,005	39,085	17,150	2,425	589	25,860	16,526
2038 - 2042	78,586	25,989	35,220	9,959	2,805	209	30,290	12,100
2043 - 2047	65,450	13,361	31,235	3,251	—	—	35,530	6,847
2048 - 2052	43,600	3,549	2,900	49	—	—	24,235	1,189
2053 - 2057	585	15	—	—	—	—	—	—
Total	\$ 465,021	\$ 206,933	\$ 189,596	\$ 88,334	\$ 9,105	\$ 2,952	\$ 154,030	\$ 83,316

I. Summary of Changes in Long-term Liabilities Payable

Long-term liability activity of discretely presented component units for the year ended June 30, 2022, was as follows (in thousands):

	Beginning Balance ⁽²⁾	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due In More Than One Year
Discretely presented component units						
Bonds/notes payable						
Montana Board of Housing	\$ 493,962	\$ 95,777	\$ 114,817	\$ 474,922	\$ 15,695	\$ 459,227
Montana State University (MSU)	155,836	127,780	79,549	204,067	8,303	195,764
MSU Direct Placement	15,229	9,105	15,229	9,105	305	8,800
University of Montana (UM)	164,865	—	3,951	160,914	3,130	157,784
Total bonds/notes payable ⁽¹⁾	829,892	232,662	213,546	849,008	27,433	821,575
Other liabilities						
Lease Payable ⁽⁴⁾	44,308	2,037	5,009	41,336	4,559	36,777
Compensated absences payable	72,760	23,075	25,405	70,430	25,553	44,877
Arbitrage rebate tax payable	761	283	—	1,044	618	426
Estimated insurance claims ⁽⁵⁾	973,051	109,485	107,444	975,092	154,495	820,597
Due to federal government	23,909	11	3,071	20,849	—	20,849
Derivative instrument liability	1,919	—	1,516	403	—	403
Reinsurance funds withheld	65,278	40	—	65,318	—	65,318
Unearned compensation	488	131	40	579	—	579
Net pension liability	237,781	27,447	104,804	160,424	—	160,424
Total OPEB liability	58,124	8,004	15,648	50,480	—	50,480
Total other liabilities	1,478,379	170,513	262,937	1,385,955	185,225	1,200,730
	2,308,271	403,175	476,483	2,234,963	212,658	2,022,305
Long-term liabilities of Montana University System component units ⁽³⁾					223	6,598
Total discretely presented component units' long-term liabilities					\$ 212,881	\$ 2,028,903

⁽¹⁾ When applicable, this amount includes unamortized discounts and unamortized premiums.

⁽²⁾ Beginning balances are taken from component unit financial statements, which may have been adjusted from the prior year's ending balances.

⁽³⁾ Inter-entity transaction eliminations between Montana University System component units for debt shown in the component unit information can cause negative balances in component unit information.

⁽⁴⁾ The beginning balance has been restated for the implementation of GASB Statement No. 87.

⁽⁵⁾ The beginning balance has been restated due to the change in the reporting entity.

J. Refunded and Early Retired Debt

Refunded Debt

On October 19, 2021, Montana State University (MSU) issued Series G 2021 tax-exempt bonds in the amount of \$45.6 million, to refund the Series C 2016 Facilities Improvement Revenue drawn-down bonds. The refunding resulted in an economic gain of \$1.0 million.

On October 19, 2021, MSU issued Series H 2021 refunding taxable bonds in the amount of \$72.1 million, to refund the Series N 2012 bonds, the Series O 2012 bonds, and the Series A 2013 bonds. The advanced refunding resulted in an economic gain of \$0.8 million for Series N 2012, \$0.2 million for Series O 2012, and \$8.2 million for Series A 2013.

Defeased Debt Outstanding

The University of Montana has defeased certain bond issues by placing the proceeds of new bonds in an irrevocable trust. The proceeds, together with interest earned thereon, will be sufficient for future debt service payments on the refunded issues. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's consolidated financial statements. As of June 30, 2022, \$91.7 million of bonds outstanding were considered defeased.

K. No-Commitment Debt

Information is presented below for financing authorities participating in debt issues. The State has no obligation for this debt. Accordingly, these bonds and notes are not reflected in the accompanying financial statements.

Facility Finance Authority (FFA)

FFA is authorized to issue bonds and notes to finance projects for qualifying health care and other community-based service providers. The revenue bonds are payable solely from loan repayments to be made by eligible facilities pursuant to loan agreements, and further, from the funds created by the indentures and investment earnings thereon. The notes are payable solely from loan repayments pursuant to loan agreements. The revenue bonds and notes payable issued by FFA do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana, with the exception of the Montana State Hospital Project included in Note 11. At June 30, 2022, revenue bonds and notes outstanding aggregated \$1.4 billion.

The Board of Investments and FFA have entered into a capital reserve account agreement for certain bond issues. See Note 11 for more information.

Montana Board of Housing (MBOH)

MBOH is authorized to issue bonds and make mortgage loans in order to finance affordable housing for Montana residents. The bonds are special limited obligations, payable solely from pledged revenues and assets of the borrower, not general obligations of MBOH. These bonds issued by MBOH do not constitute a debt, liability, obligation, or pledge of faith and credit of the State of Montana. At June 30, 2022, bonds outstanding aggregated \$258.9 million.

L. Non-Exchange Financial Guarantee

BOI provides loan guarantees from STIP, TFIP, and the Coal Severance Tax Fund to the Facility Finance Authority (FFA). BOI exposure to bond issues, surety bonds, and designated loans of the FFA totaled \$113.6 million as of June 30, 2022. FFA is a discretely presented component unit of the State of Montana. FFA guarantee requests are submitted to BOI for review and approval. BOI's participation, either duration or any other consideration, to either purchase bonds or loans or to lend money for deposit into FFA's statutorily allowed capital reserve account is explicitly limited by statute, which requires BOI to act prudently. The guarantee requests from FFA pertain to bonds issued by FFA with a term of up to 40 years. BOI and FFA have entered into an agreement detailing repayment to BOI. BOI has not had to perform on any loan guarantee in the past.

The following schedule summarizes the activity related to the non-exchange financial guarantee during the year ended June 30, 2022 (in thousands):

Beginning Balance	Additions	Reductions	Ending Balance
\$ 100,248	\$ 18,000	\$ 4,675	\$ 113,573

M. Derivative Instrument Transactions Related to Long-term Debt

Montana State University (MSU) has two interest rate swaps as of June 30, 2022. Interest rate swaps are classified as hedging derivative instruments if the instruments meet the criteria of paragraphs 27 (a) and (b) of GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* (GASB 53), or as investment derivative instruments if they do not. The following table summarizes the interest rate swaps outstanding as of June 30, 2022:

Derivative Instrument Description	Trade Date	Effective Date	Termination Date	Terms	Counterparty
25.75 million fixed payer swap	3/10/2005	7/21/2005	11/15/2035	Pay 3.953%, Receive SIFMA ¹	Deutsche Bank AG
25.25 million basis swap	12/19/2006	11/15/2007	11/15/2035	Pay SIFMA, Receive 86.8% of 10-year SIFMA	Morgan Stanley Capital Services Inc.

¹ Securities Industry and Financial Markets Association (SIFMA)

As of June 30, 2022, the fixed payer swap is classified as a hedging derivative instrument under GASB 53, whereas the basis swap is an investment derivative instrument because there is no identified financial risk being hedged by the basis swap that can be expressed in terms of exposure to adverse changes in cash flows or fair values. GASB 53 includes four methods for evaluating hedge effectiveness; a governmental entity may use any of the evaluation methods outlined in GASB 53 and is not limited to using the same method from period to period. The four methods described in GASB 53 are: consistent critical terms, synthetic instrument, dollar-offset, and regression analysis. In addition, GASB 53 permits a governmental entity to use other quantitative methods that are based on “established principles of financial economic theory.” The fixed payer swap passes the established criteria using the regression analysis methodology.

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps. To measure non-performance risk for a derivative instrument liability, credit spreads implied by the credit rating for debt issues by entities with similar credit characteristics were used. This is the best method available under current market conditions since MSU has no credit default swaps that actively trade in the marketplace. For a derivative instrument asset, the adjustment for non-performance risk of counterparties was determined by analyzing counterparty-specific credit default swaps, if available. If not available, credit default swaps in the market for entities of similar type and rating were used, along with information found in various public and private information services. This analysis is used to construct a credit curve that is applied to the discount curve on the net settlement payments of the derivative instrument.

The counterparty to the fixed payer swap had the right to terminate the swap at \$0 on December 14, 2016 (a European option) but did not exercise the option. As of the trade date, the option’s value included intrinsic value and time value. The option’s intrinsic value (calculated as the difference between the at-market rate of 4.11% and the off-market rate of 3.953%) is accounted for as a loan receivable and is repaid by the off-market portion of each swap payment. On September 10, 2010, the Series J bonds were converted to index bonds. On September 4, 2018, the original Series J bonds were refunded in full with proceeds from the Series F 2018 bonds, which were issued in a “SIFMA Index Rate” mode. While in the SIFMA Index Rate, and through the Index Interest Rate Period, which spans from September 4, 2018,

through and including September 1, 2023, the interest rate is reset weekly at a rate of the SIFMA rate plus a fixed spread. The spread is based on the long-term, unenhanced rating assigned to MSU with the current spread as of June 30, 2022, was 0.45%, which remains constant through the Index Interest Rate Period. The dependent variable in the regression is the interest rates of the hedged cash flows; the independent variable is the floating rates due under the hedging derivative instrument.

The fair value of the fixed payer swap liability as of June 30, 2022, is at fair value level 2 and was based on forward SIFMA rates using the three-month Libor Zero Curve, and the BMA Swaption Volatility on the AA Rated Muni Revenue Curve. The fair value of the nonhedging derivative instrument investment is also at level 2 and was based on forward SIFMA rates using the 10-year forward BMA constant maturity swap using the three-month Libor Zero Curve, and the BMA Swaption Volatility on the counterparty's credit default swap.

The following table summarizes the reported balances as of, and the derivative instrument activity during, the year ended June 30, 2022, (in thousands):

Cash flow hedges:	Notional	Activity During 2021		Fair Values at June 30, 2021	
		Classification	Amount	Classification	Amount
Cash flow hedge –					
Pay fixed interest rate swap	16,575	Interest expense	17	Loan receivable	157
		Investment income	—	Derivative instrument liability	79
		Deferred outflow	(2,243)	Derivative instrument borrowing	1,967
Investment derivative instrument–					
Basis swap	16,575	Investment revenue	80	Investment (excluding interest accrued)	(79)

The objective and terms of MSU's hedging derivative instrument outstanding as of June 30, 2022, is as follows (in thousands):

Type	Objective	Notional amount	Effective Date	Termination Date	Cash (Paid)/Received	Terms
Pay fixed, cancelable interest rate swap	Hedge interest rate risk on Series F 2018 Bonds	\$ 16,575	7/21/2005	11/15/2035	\$ —	Pay 3.953% Receive SIFMA

Credit Risk

It is MSU's policy to enter into derivative instrument agreements with highly rated counterparties. As of June 30, 2022, counterparty ratings were A2 by Moody's and BBB+ by Standard and Poor's (S&P). MSU manages credit risk by requiring its counterparties to post collateral in certain events. MSU is entitled to collateral from its fixed payer swap counterparty if the interest rate swap's fair value is greater than \$5.0 million, and the counterparty is rated A+ or A by S&P, or A1 or A2 by Moody's. If the counterparty to the fixed payer swap is rated A- or below by S&P, or A3 or below by Moody's, MSU is entitled to collateral up to 100% of the swap's fair value. MSU is not required to post collateral. MSU will continue to monitor counterparty credit risk.

MSU enters into derivative instrument agreements with multiple counterparties to limit the concentration of credit risk. Currently, MSU has interest rate swaps with two different counterparties, and each counterparty accounts for approximately 50% of outstanding notional. MSU monitors counterparty credit risk on an ongoing basis.

Interest Rate Risk

Interest payments on variable rate debt will typically increase as interest rates increase. MSU believes it has significantly reduced interest rate risk by entering into a pay-fixed, receive floating interest rate swap.

As interest rates increase, net swap payments decrease so that changes in hedged variable-rate debt interest payments, attributable to SIFMA, are largely offset by the net swap payments.

Basis Risk

The variable-rate cash flows being hedged by the pay-fixed swap will increase or decrease as SIFMA rates increase or decrease. Because the hedged cash flows are SIFMA based and the floating receipts of the pay-fixed swap are SIFMA based, there is no basis risk.

Termination Risk

MSU or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. In addition, MSU's fixed payer swap counterparty has the right to terminate the derivative instrument if the credit rating of MSU's unenhanced long-term revenue bond rating is withdrawn, suspended, or reduced below BBB-, in the case of S&P, or below Baa3 in the case of Moody's. If such an event occurs, MSU could be forced to terminate the fixed payer swap in a liability position. As of June 30, 2022, MSU's unenhanced long-term revenue bond rating was Aa3 by Moody's and A+ by S&P.

Foreign Currency Risk

All hedging derivative instruments are denominated in U.S. Dollars, and therefore MSU is not exposed to foreign currency risk.

Market Access Risk

Market access risk is the risk that MSU will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time MSU is unable to enter credit market, expected cost savings may not be realized.

N. Related Party Transactions

Private nonprofit organizations with relations to the University of Montana (UM) include the Alumni Association, the Montana Technology Enterprise Center (MonTEC), the Montana Tech Booster Club, and the Montana Tech Alumni Association. The associations and booster club operate exclusively to encourage, promote, and support educational programs, research, scholarly pursuits, and athletics at, or in connection with, UM. For the year ended June 30, 2022, \$304.4 thousand was transferred from or expended by the Montana Tech Booster Club for scholarships, academic and institutional support, respectively. In exchange, UM provides the associations and booster club with office space, staff, and some related office expenses.

MonTEC was established as a nonprofit 501(c)3 corporation in fiscal year 2001 as a result of an agreement between UM and the Missoula Area Economic Development Foundation (MAEDF). MonTEC provides low-cost lease space and business consulting to local "start-up" companies. The corporation's board of directors is comprised of four members. Two members of the board of directors are UM employees, and two are non-UM employees. UM does not provide office space or other services to MonTEC.

Private nonprofit organizations affiliated with Montana State University (MSU) include the MSU-Bozeman Bookstore, Friends of KUSM, and Friends of KEMC. MSU-Bozeman leased certain office space from the MSU Foundation's wholly owned subsidiary, Advanced Technology Inc. (ATI). Rental and other payments to ATI totaled \$450.6 thousand for the year ended June 30, 2022. Friends of Montana Public Television provided \$1.6 million and Friends of KEMC Public Radio provided \$1.2 million in support of the University's television and radio stations for the year ended June 30, 2022.

O. Litigation Contingencies

Logan Combs v. Big Sky Building Systems, Inc. et al.: On February 24, 2022, Plaintiff Logan Combs filed suit in the Montana Eighteenth Judicial District Court in Gallatin County, Montana. The suit relates to a

catastrophic workplace injury Combs suffered on or about April 14, 2021. The named defendants include two Montana State Fund (MSF) policyholders: Big Sky Building Systems, Inc., and JAWC, LLC. The suit alleges that these two policyholders were contractors on the worksite and pleads two causes of action: common-law negligence and failure to provide a safe workplace under Section 50-71-201, MCA. All MSF policies include an Employer Liability ("EL") coverage component. Taken together, the EL per-accident coverage limits for the two policyholders exceed \$1.0 million. Given the nature of Mr. Combs' injuries, it is anticipated that the asserted value of his claim may exceed \$1.0 million. The complaint in this action has been served, and the matter is in the discovery phase. As of February 2023, MSF believes it has significant viable defenses to the claim and assess the probability of recovery against MSF to be reasonably possible.

P. Subsequent Events

On July 1, 2022, Montana Board of Housing (MBOH) issued a Multifamily Housing Revenue private placement conduit bond, Series 2022, in the amount of \$7.4 million for the Bridger Peaks Apartment Project.

On September 13, 2022, Oakwood Village in Havre, Montana, requested a decrease to their Coal Trust loan from \$3.6 million to \$2.1 million, and a \$1.5 million loan from the Multifamily Loan Program funds to cover the decrease in Coal Trust funds. The change was due to a property tax issue related to the Coal Trust funds loan that was unknown until close to closing. The loan was closed on November 1, 2022.

On November 17, 2022, MBOH issued a Multifamily Housing Revenue private placement conduit bond, Series 2022, in the amount of \$11.9 million, for the Comstock Apartments Project.

On December 21, 2022, MBOH issued Single Family Mortgage Bonds, Series 2022C (non-AMT), in the amount of \$40.0 million, to be used for the purpose of acquiring additional mortgage loans and down payment assistance loans for Montana residents.

On July 15, 2022, Montana Facility Finance Authority (FFA) issued a trust fund loan in the amount of \$821.9 thousand and a direct loan in the amount of \$375.0 thousand to Central Montana Medical Center for the purpose of refinancing existing loans with a higher interest rate.

On July 18, 2022, FFA approved a loan from Dividend Finance of \$3.8 million to the Headwaters Utility District/Bridger Brewing Company under the Commercial Property Assessed Capital Enhancement (C-PACE) program to provide funds for a production brewery as well as the private sewer district.

On November 29, 2022, FFA issued a direct loan of \$375.0 thousand and a trust fund loan of \$625.0 thousand to the Central Montana Medical Center. The total loan amount of \$1.0 million was issued to purchase an MRI machine.

On November 18, 2022, the Montana University System Board of Regents granted Montana State University (MSU) authority to refinance the Series F 2018 Facilities Revenue Bonds. The University's first optional date to refund the principal balance is on March 1, 2023, and are subject to mandatory tender for purchase by September 1, 2023.

On November 18, 2022, the Montana University System Board of Regents granted MSU authority to plan, program, and design a new student housing facility. Preliminary planning and design costs are authorized up to \$6.0 million.

On August 26, 2022, the MSU Alumni Foundation (Foundation) concluded the purchase of the land and facilities at 4350 Spain Bridge Road, Belgrade, Montana for \$4.7 million. MSU is renting this property from the Foundation as a practice facility for the MSU Bobcat Rodeo team and is responsible for all operating and capital costs.

On August 24, 2022, the Foundation entered into an unsecured note payable, to finance the purchase of the MSU Bobcats Rodeo Facility. The 4.25% note payable is due in quarterly installments of interest accrued, and annual principal payments of \$520.0 thousand, maturing August 24, 2027.

On September 9, 2022, Montana State Fund's Board of Directors declared a dividend of \$30.0 million that was distributed to eligible policyholders during October.

On July 20, 2022, Montana University System Board of Regents priced \$60.0 million of tax-exempt General Revenue Bonds, Series 2022. The bond issuance closed on August 16, 2022. The proceeds from the bond issuance will be used primarily to fund cost overages on construction of a new dining facility and a dormitory renovation, and to fund construction of a new 200 bed residence hall on UM's Missoula campus. As defined in the Indenture for the Series 2022 Bonds, UM has pledged all permitted revenues after certain charges for payment of operation and maintenance expenses.

Q. Commitments

As of June 30, 2022, Montana State University (MSU) had issued purchase orders committing the expenditure of approximately \$31.1 million for equipment, supplies, and services which had not yet been received.

As of June 30, 2022, the University of Montana (UM) has spent \$32.0 million of \$120.1 million in budget authorizations for capital and maintenance projects.

As of June 30, 2022, Montana Board of Housing (MBOH) has committed \$3.2 million to purchase Single Family Mortgages, consisting of \$50.0 thousand for Foreclosure Prevention, \$863.0 thousand for Disabled Affordable Accessible Homeownership, \$726.4 thousand for Lot Refinance, and \$1.5 million for Habitat for Humanity.

NOTE 19. MATERIAL VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS**Constitutionality of Retirement Plan Funding**

The Montana Constitution, Article VIII, Section 15, states that public retirement systems shall be funded on an actuarially sound basis. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is within 30 years. As of June 30, 2022, Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS) were not in compliance and did not amortize within 30 years. The unfunded liabilities in the other state retirement systems amortized in 30 years or less as of the fiscal year ended June 30, 2022.

MPERA has been working with the State Administration and Veterans' Affairs Interim Committee over the interim to provide information and recommend funding increases to all four systems.

BUDGETARY COMPARISON SCHEDULE
GENERAL AND MAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2022
 (amounts expressed in thousands)

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Licenses/permits	\$ 149,780	\$ 149,780	\$ 150,223	\$ 443
Taxes:				
Natural resource	60,952	60,952	113,578	52,626
Individual income	1,539,141	1,539,141	2,379,459	840,318
Corporate income	161,443	161,443	293,108	131,665
Property	333,090	333,090	347,201	14,111
Fuel	—	—	—	—
Other	267,802	267,802	290,457	22,655
Charges for services/fines/forfeits/settlements	36,638	36,638	35,162	(1,476)
Investment earnings (losses)	—	—	11,764	11,764
Sale of documents/merchandise/property	323	323	296	(27)
Rentals/leases/royalties	76	76	55	(21)
Contributions/premiums	(914)	(914)	—	914
Grants/contracts/donations	8,101	8,101	15,584	7,483
Federal	16,767	16,767	25,155	8,388
Federal indirect cost recoveries	183	183	253	70
Other revenues	179	179	1,220	1,041
Total revenues	2,573,561	2,573,561	3,663,515	1,089,954
EXPENDITURES				
Current:				
General government	418,332	418,332	383,413	34,919
Public safety	348,418	348,418	321,168	27,250
Transportation	1	1	1	—
Health and human services	545,638	545,638	504,083	41,555
Education	1,154,015	1,154,015	1,140,171	13,844
Natural resources	44,431	44,431	38,521	5,910
Debt service (Note RSI-1):				
Principal retirement	—	—	9,098	(9,098)
Interest/fiscal charges	—	—	1,222	(1,222)
Capital outlay (Note RSI-1)	—	—	4,194	(4,194)
Total expenditures	2,510,835	2,510,835	2,401,871	108,964
Excess of revenue over (under) expenditures	62,726	62,726	1,261,644	1,198,918
OTHER FINANCING SOURCES (USES)				
Insurance proceeds	—	—	—	—
General capital asset sale proceeds	132	132	107	(25)
Bond issued	—	—	—	—
Energy conservation loans	—	—	—	—
Transfers in (Note 12)	86,211	86,211	130,844	44,633
Transfers out (Note 12)	(304,669)	(304,669)	(226,254)	78,415
Total other financing sources (uses)	(218,326)	(218,326)	(95,303)	123,023
Net change in fund balances (Budgetary basis)	(155,600)	(155,600)	1,166,341	1,321,941
RECONCILIATION OF BUDGETARY/GAAP REPORTING				
1. Securities lending income	—	—	28	28
2. Securities lending costs	—	—	(2)	(2)
3. Inception of lease/financed purchase	—	—	795	795
4. Adjustments for nonbudgeted activity	—	—	—	—
(GAAP basis)	(155,600)	(155,600)	1,167,162	1,322,762
Fund balance - July 1	—	—	856,300	856,300
Prior period adjustments	—	—	(25,024)	(25,024)
Increase (decrease) in inventories	—	—	(1,819)	(1,819)
Fund balances - June 30	\$ (155,600)	\$ (155,600)	\$ 1,996,619	\$ 2,152,219

The notes to the required supplementary information are an integral part of this schedule.

Budgetary data is not broken down to the same account level as actual financial statement data, which accounts for some of the larger variances. The original and final budget figures reflect adjustments to the original budget for various reasons, including legislative and executive changes.

STATE SPECIAL REVENUE FUND				FEDERAL SPECIAL REVENUE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
\$ 330,630	\$ 330,630	\$ 318,208	\$ (12,422)	\$ —	\$ —	\$ —	\$ —
67,873	67,873	108,152	40,279	—	—	—	—
—	—	—	—	—	—	—	—
11	11	12	1	—	—	—	—
21,445	21,445	22,021	576	—	—	—	—
281,114	281,114	282,834	1,720	—	—	—	—
193,668	193,668	218,324	24,656	2	2	—	(2)
113,517	113,517	105,552	(7,965)	6,181	6,181	7,014	833
—	—	243	243	—	—	227	227
13,208	13,208	11,572	(1,636)	17	17	—	(17)
1,250	1,250	1,219	(31)	—	—	—	—
35,417	35,417	42,419	7,002	—	—	—	—
17,974	17,974	9,805	(8,169)	143	143	26	(117)
7,189	7,189	7,967	778	4,500,181	4,500,181	3,874,565	(625,616)
58,400	58,400	45,855	(12,545)	93,958	93,958	95,384	1,426
3,774	3,774	3,772	(2)	1,160	1,160	430	(730)
1,145,470	1,145,470	1,177,955	32,485	4,601,642	4,601,642	3,977,646	(623,996)
355,463	355,463	239,795	115,668	2,149,237	2,149,237	260,878	1,888,359
123,444	123,444	107,475	15,969	49,073	49,073	19,981	29,092
345,719	345,719	265,709	80,010	761,165	761,165	109,367	651,798
277,555	277,555	240,416	37,139	3,364,588	3,364,588	2,698,897	665,691
100,468	100,468	88,381	12,087	897,923	897,923	396,415	501,508
378,383	378,383	233,896	144,487	524,919	524,919	99,744	425,175
—	—	7,660	(7,660)	—	—	4,292	(4,292)
—	—	1,248	(1,248)	—	—	387	(387)
—	—	74,171	(74,171)	—	—	376,634	(376,634)
1,581,032	1,581,032	1,258,751	322,281	7,746,905	7,746,905	3,966,595	3,780,310
(435,562)	(435,562)	(80,796)	354,766	(3,145,263)	(3,145,263)	11,051	3,156,314
55	55	141	86	—	—	—	—
543	543	2,912	2,369	—	—	—	—
16,035	16,035	16,035	—	—	—	—	—
—	—	1,153	1,153	—	—	—	—
318,380	318,380	215,013	(103,367)	472,138	472,138	2,708	(469,430)
(119,214)	(119,214)	(47,568)	71,646	(1,284,700)	(1,284,700)	(25,764)	1,258,936
215,799	215,799	187,686	(28,113)	(812,562)	(812,562)	(23,056)	789,506
(219,763)	(219,763)	106,890	326,653	(3,957,825)	(3,957,825)	(12,005)	3,945,820
—	—	25	25	—	—	—	—
—	—	(5)	(5)	—	—	—	—
—	—	3,796	3,796	—	—	858	858
—	—	(16,912)	(16,912)	—	—	—	—
(219,763)	(219,763)	93,794	313,557	(3,957,825)	(3,957,825)	(11,147)	3,946,678
—	—	1,979,198	1,979,198	—	—	(11,321)	(11,321)
—	—	(51)	(51)	—	—	(2,807)	(2,807)
—	—	(1,015)	(1,015)	—	—	—	—
\$ (219,763)	\$ (219,763)	\$ 2,071,926	\$ 2,291,689	\$ (3,957,825)	\$ (3,957,825)	\$ (25,275)	\$ 3,932,550

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 1. BUDGETARY REPORTING

A. State Budget Process

The Montana Legislature meets in the odd-numbered years to prepare annual budgets for the next biennium. The Constitution requires that legislative appropriations not exceed available revenues. The Legislature uses revenue estimates in the budgetary process to establish appropriation levels. Expenditures may not legally exceed budget appropriations at the fund level. In addition, the State Constitution prohibits borrowing to cover deficits incurred because appropriations exceeded anticipated revenues. State law requires an appropriation for disbursements from the general, special revenue and capital projects funds, except for those special revenue funds from non-state and non-federal sources restricted by law or by the terms of an agreement. The level of budgetary control is established by fund type, except capital project funds, which are at project level. Budgets may be established in other funds for administrative purposes.

Agency budget requests are submitted to the Governor, and the Legislative Fiscal Division receives a copy. The Office of Budget and Program Planning (OBPP) and the Governor analyze the requests, establish priorities, and develop the requests into the executive budget request submitted to the Legislature. Joint appropriations subcommittee hearings are held, and an omnibus appropriation bill is reported in the House and subsequently sent to the Senate. The Legislature generally enacts one bill to establish the majority of appropriations for the next two fiscal years. OBPP establishes appropriations for each program by accounting entity (fund) within an agency. The Legislature enacts other appropriations, but only within the available revenue. Agencies must prepare and submit to the budget director operational plans showing the allocation of operating budgets by expenditure category (i.e., personal services, operating expenses, equipment, etc.). The budget director or other statutorily designated approving authority may authorize changes among expenditure categories and transfers between program appropriations.

Appropriations may not be increased by amendment in the General Fund. However, a department, institution, or agency of the executive branch desiring authorization to make expenditures from the General Fund during the first fiscal year of the biennium from appropriations for the second fiscal year of the biennium may apply for authorization from the Governor through the budget director. In the second year of the biennium, during the legislative session, the Legislature may authorize supplemental appropriations. The Governor, or designee, may approve budget amendments for non-general fund monies not available for consideration by the Legislature and for emergencies. In the accompanying financial schedule, original and final budget amounts are reported. There were no expenditures in excess of total authorized appropriations in the State's budgeted funds for the fiscal year.

Appropriations for debt service activities are continuing through statutory authority until the obligation is extinguished. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided. Appropriations for capital projects funds are not made on an annual basis, but are adopted on a project-length basis. Because these non-operating budgets primarily serve a management control purpose, and related appropriations are continuing in nature, no comparison between budgeted and actual amounts for funds budgeted on this basis is provided.

Appropriations may be continued into the next fiscal year when authorized by the Legislature or the Governor's Office. After fiscal year-end, appropriations that are not continued are reverted. The reverted appropriations remain available for one fiscal year for expenditures that exceed the amount accrued or encumbered. Fund balances are not reserved for reverted appropriations. For fiscal year 2022, reverted governmental fund appropriations were as follows: \$14.2 million in the General Fund, \$110.2 million in the State Special Revenue Fund, and \$130.5 million in the Federal Special Revenue Fund. Agencies are allowed to carry forward 30.0% of their reverted operating appropriations into the next two fiscal years. This amount can be used for new expenditures at the request of the agency and upon approval of OBPP.

B. Budget Basis

The Legislature's legal authorization ("appropriations") to incur obligations is enacted on a basis inconsistent with Generally Accepted Accounting Principles (GAAP). The budget basis differs from GAAP

for encumbrances outstanding at fiscal year-end, compensated absences, capital assets and inventories purchased in proprietary funds, certain loans from governmental funds, and other miscellaneous non-budgeted activity.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 2. PENSION PLAN INFORMATION

Required Supplementary Information State of Montana as an Employer Entity

Judges' Retirement System Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios ¹ For the Fiscal Year Ended June 30 (dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)								
Service costs	\$ 1,897	\$ 1,748	\$ 1,772	\$ 1,664	\$ 1,628	\$ 1,578	\$ 1,653	\$ 1,594
Interest	4,949	4,842	4,458	4,503	4,044	3,986	3,934	3,824
Differences between expected and actual experience	376	(262)	2,743	(2,901)	862	(1,341)	(1,032)	—
Changes of assumptions	1,870	1,912	—	—	3,865	—	—	—
Refunds of contributions	—	—	—	(149)	—	—	—	—
Benefit payments	(4,205)	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Net change in total pension liability	4,887	4,202	5,127	(606)	6,845	807	1,514	2,395
Total pension liability – beginning	69,521	65,319	60,192	60,798	53,953	53,146	51,632	49,237
Total pension liability – ending	\$ 74,408	\$ 69,521	\$ 65,319	\$ 60,192	\$ 60,798	\$ 53,953	\$ 53,146	\$ 51,632
Plan Fiduciary Net Position								
Contributions – employer	\$ 2,139	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,806	\$ 1,684	\$ 1,651
Contributions – member	589	560	517	575	488	729	534	481
Net investment income	29,150	2,827	5,687	8,467	10,368	1,779	3,843	12,421
Refunds of contributions	—	—	—	(149)	—	—	—	—
Benefit payments	(4,205)	(4,038)	(3,846)	(3,723)	(3,554)	(3,416)	(3,041)	(3,023)
Administrative expense	(126)	(157)	(123)	(264)	(254)	(197)	(136)	(100)
Other	(3)	—	—	7	—	(3)	—	—
Net change in plan fiduciary net position	27,544	1,180	2,235	5,998	8,848	698	2,884	11,430
Plan fiduciary net position – beginning	106,066	104,886	102,651	96,653	87,805	87,107	84,223	72,793
Plan fiduciary net position – ending	\$ 133,610	\$ 106,066	\$ 104,886	\$ 102,651	\$ 96,653	\$ 87,805	\$ 87,107	\$ 84,223
Net Pension (Asset) – Beginning	\$ (36,545)	\$ (39,567)	\$ (42,459)	\$ (35,855)	\$ (33,852)	\$ (33,961)	\$ (32,591)	\$ (23,556)
Net Pension (Asset) – Ending	\$ (59,202)	\$ (36,545)	\$ (39,567)	\$ (42,459)	\$ (35,855)	\$ (33,852)	\$ (33,961)	\$ (32,591)
Plan fiduciary net position as a percentage of TPL	179.56%	152.57%	160.58%	170.54%	158.97%	162.74%	163.90%	163.12%
Covered payroll	\$ 8,408	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525	\$ 6,355
Net pension (asset) as a percentage of covered payroll	(704.12)%	(456.76)%	(535.99)%	(582.35)%	(514.12)%	(489.19)%	(521.00)%	(513.00)%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 79	\$ 2,138	\$ 1,988	\$ —	\$ 1,085	\$ 1,800	\$ 1,786	\$ 1,684
Contributions made in relation to the contractually required contributions	79	2,138	1,988	—	1,085	1,800	1,786	1,684
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 8,408	\$ 8,282	\$ 8,001	\$ 7,382	\$ 7,291	\$ 6,974	\$ 6,920	\$ 6,525
Contributions as a percentage of covered payroll	0.94%	25.82%	24.85%	0.00%	14.88%	25.81%	26.00%	26.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Judges' Retirement System
Notes to Required Supplementary Information
For the Year Ended June 30, 2022

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0%
Total salary increases	3.50%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.11%

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Highway Patrol Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)								
Service costs	\$ 7,578	\$ 3,337	\$ 3,453	\$ 3,643	\$ 3,665	\$ 3,799	\$ 3,598	\$ 3,464
Interest	16,742	17,688	16,926	16,294	15,121	14,545	14,113	13,518
Changes in benefits	—	—	—	—	—	—	1,856	—
Difference between expected and actual experience	1,913	(993)	2,413	590	2,774	18	267	—
Changes of assumptions	(125,247)	141,055	—	—	7,892	—	—	—
Benefit payments	(13,710)	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Refunds of contributions	(2,026)	(331)	(582)	(322)	(245)	(94)	—	—
Net change in total pension liability	(114,750)	148,071	10,147	8,659	18,170	7,786	9,833	7,539
Total pension liability – beginning	385,799	237,728	227,581	218,922	200,752	192,966	183,133	175,594
Total pension liability – ending	\$ 271,049	\$ 385,799	\$ 237,728	\$ 227,581	\$ 218,922	\$ 200,752	\$ 192,966	\$ 183,133
Plan Fiduciary Net Position								
Contributions – employer	\$ 6,423	\$ 6,003	\$ 5,845	\$ 5,858	\$ 5,782	\$ 5,916	\$ 5,840	\$ 5,736
Contributions – non-employer	224	226	233	250	263	243	—	—
Contributions – member	2,206	2,170	2,002	2,387	1,950	1,917	1,624	1,458
Net investment income	41,277	4,101	8,269	12,283	15,099	2,605	5,738	18,677
Benefit payments	(13,710)	(12,685)	(12,063)	(11,546)	(11,037)	(10,482)	(10,001)	(9,443)
Administrative expense	(342)	(163)	(127)	(256)	(248)	(197)	(144)	(109)
Refunds of contributions	(2,026)	(331)	(582)	(322)	(245)	(94)	—	—
Other	(40)	(131)	2	8	—	(2)	—	—
Net change in plan fiduciary net position	34,012	(810)	3,579	8,662	11,564	(94)	3,057	16,319
Plan fiduciary net position – beginning	151,968	152,778	149,199	140,537	128,973	129,067	126,010	109,691
Plan fiduciary net position – ending	\$ 185,980	\$ 151,968	\$ 152,778	\$ 149,199	\$ 140,537	\$ 128,973	\$ 129,067	\$ 126,010
Net Pension Liability – Beginning	\$ 233,831	\$ 84,950	\$ 78,382	\$ 78,385	\$ 71,779	\$ 63,899	\$ 57,123	\$ 65,903
Net Pension Liability – Ending	\$ 85,069	\$ 233,831	\$ 84,950	\$ 78,382	\$ 78,385	\$ 71,779	\$ 63,899	\$ 57,123
Plan fiduciary net position as a percentage of TPL	68.61%	39.39%	64.27%	65.56%	64.20%	64.24%	67.00%	69.00%
Covered payroll	\$ 17,275	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549	\$ 14,149
Net pension liability as a percentage of covered payroll	492.44%	1498.15%	559.69%	513.95%	530.38%	469.88%	439.00%	404.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 6,835	\$ 6,599	\$ 6,209	\$ 6,051	\$ 5,843	\$ 5,706	\$ 6,161	\$ 5,782
Contributions in relation to the contractually required contributions	6,835	6,599	6,209	6,051	5,843	5,706	6,161	5,782
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 17,275	\$ 16,631	\$ 15,608	\$ 15,178	\$ 15,251	\$ 14,779	\$ 15,276	\$ 14,549
Contributions as a percentage of covered payroll	39.57%	39.68%	39.78%	39.87%	38.31%	38.61%	40.00%	40.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
Highway Patrol Officers' Retirement System
For the Year Ended June 30, 2022

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.23%

Changes of assumptions: The discount rate was increased from 4.43% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained at 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Game Wardens' and Peace Officers' Retirement System
Schedule of Changes in Net Pension Liability and Related Ratios ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability (TPL)								
Service costs	\$ 12,315	\$ 8,029	\$ 8,004	\$ 8,098	\$ 8,623	\$ 8,403	\$ 8,008	\$ 7,850
Interest	19,379	18,535	17,618	16,018	14,269	12,911	12,398	11,258
Difference between expected and actual experience	4,927	(2,027)	(4,728)	4,781	3,743	2,705	731	—
Changes of assumptions	(68,688)	85,967	—	—	5,878	—	—	—
Benefit payments	(9,283)	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Refunds of contributions	(870)	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Net change in total pension liability	(42,220)	101,057	12,543	21,269	25,667	17,885	15,785	13,879
Total pension liability – beginning	348,070	247,013	234,470	213,201	187,534	169,649	153,864	139,985
Total pension liability – ending	\$ 305,850	\$ 348,070	\$ 247,013	\$ 234,470	\$ 213,201	\$ 187,534	\$ 169,649	\$ 153,864
Plan Fiduciary Net Position								
Contributions - employer	\$ 5,411	\$ 4,868	\$ 4,686	\$ 4,613	\$ 4,464	\$ 4,278	\$ 4,088	\$ 3,762
Contributions - member	6,393	5,803	5,566	5,512	5,278	5,036	4,924	4,462
Net investment income	59,128	5,583	11,125	15,573	18,590	3,167	6,435	20,069
Benefit payments	(9,283)	(8,247)	(7,350)	(6,523)	(5,810)	(5,068)	(5,352)	(5,229)
Administrative expense	(234)	(241)	(202)	(369)	(329)	(269)	(200)	(162)
Refunds of contributions	(870)	(1,200)	(1,001)	(1,105)	(1,036)	(1,066)	—	—
Other	(63)	(4)	1	(19)	(1)	(31)	—	—
Net change in plan fiduciary net position	60,482	6,562	12,825	17,682	21,156	6,047	9,895	22,902
Plan fiduciary net position – beginning	212,910	206,348	193,523	175,841	154,685	148,638	138,743	115,841
Plan fiduciary net position – ending	\$ 273,392	\$ 212,910	\$ 206,348	\$ 193,523	\$ 175,841	\$ 154,685	\$ 148,638	\$ 138,743
Net Pension Liability – Beginning	\$ 135,160	\$ 40,665	\$ 40,947	\$ 37,360	\$ 32,849	\$ 21,011	\$ 15,121	\$ 24,144
Net Pension Liability – Ending	\$ 32,458	\$ 135,160	\$ 40,665	\$ 40,947	\$ 37,360	\$ 32,849	\$ 21,011	\$ 15,121
Plan fiduciary net position as a percentage of TPL	89.39%	61.17%	83.54%	82.54%	82.48%	82.48%	87.00%	90.00%
Covered payroll	\$ 54,287	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885	\$ 41,637
Net pension liability as a percentage of covered payroll	59.79%	251.11%	78.69%	80.57%	75.66%	69.73%	47.00%	36.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 4,878	\$ 5,394	\$ 4,837	\$ 4,644	\$ 4,574	\$ 4,447	\$ 4,240	\$ 4,040
Contributions in relation to the contractually required contributions	4,878	5,394	4,837	4,644	4,574	4,447	4,240	4,040
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 54,287	\$ 60,023	\$ 53,825	\$ 51,677	\$ 50,823	\$ 49,381	\$ 47,108	\$ 44,885
Contributions as a percentage of covered payroll	8.99%	8.99%	8.99%	8.99%	9.00%	9.01%	9.00%	9.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
Game Wardens' and Peace Officers' Retirement System
For the Year Ended June 30, 2022

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following key methods and assumptions were used to determine the contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, net of pension plan investment expense, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.17%

Changes of assumptions: The discount rate was increased from 5.65% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained at 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	50.562289%	48.997235%	39.140686%	39.546272%	53.049189%	53.241100%	53.611080%	53.223780%
Employer's proportionate share of the net pension liability	\$ 916,807	\$ 1,292,651	\$ 818,162	\$ 825,387	\$ 1,033,200	\$ 906,880	\$ 749,414	\$ 663,174
Employer's covered payroll	\$ 715,975	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286	\$ 597,083
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	128.05%	197.59%	128.10%	128.93%	159.28%	145.86%	120.82%	111.07%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 77,020	\$ 78,878	\$ 58,504	\$ 56,183	\$ 54,844	\$ 56,256	\$ 59,073	\$ 58,575
Contributions in relation to the contractually required contributions	\$ 77,020	78,878	58,504	56,183	54,844	56,256	59,073	58,575
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 680,543	\$ 715,875	\$ 654,193	\$ 638,674	\$ 640,177	\$ 648,671	\$ 621,755	\$ 620,286
Contributions as a percentage of covered payroll	11.32%	11.02%	8.94%	8.80%	8.57%	8.67%	9.50%	9.44%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2022**

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020.

The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 4.80%
Total salary increases	3.50% to 8.47%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.28%

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information
State of Montana as a Nonemployer Entity**

**Public Employees' Retirement System-Defined Benefit Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	13.174701%	14.215404%	24.411533%	24.917247%	1.007464%	0.956169%	0.956090%	0.961287%
Nonemployer's proportionate share of the net pension liability	\$ 238,887	\$ 375,032	\$ 510,277	\$ 520,058	\$ 19,622	\$ 16,287	\$ 13,365	\$ 11,978
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	74.00%	75.00%	78.00%	80.00%

**Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 20,904	\$ 21,180	\$ 35,008	\$ 34,642	\$ 34,706	\$ 28,763	\$ 30,800	\$ 32,397
Contributions in relation to the contractually required contributions	20,904	21,180	35,008	34,642	34,706	28,763	30,800	32,397
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2022**

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

Special Funding

The State contributes 0.1% of member compensation on behalf of local government entities per Section 19-3-319, MCA.

The State contributes 0.37% of member compensation on behalf of school district entities per Section 19-3-319, MCA.

The State contributes a statutory appropriation from General Fund per Section 19-3-320, MCA.

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Sheriffs' Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	5.092398%	4.758893%	4.876949%	4.872800%	4.856692%	5.454386%	5.637055%	5.535000%
Employer's proportionate share of the net pension liability	\$ 3,709	\$ 5,800	\$ 4,067	\$ 3,663	\$ 3,696	\$ 9,582	\$ 5,434	\$ 2,304
Employer's covered payroll	\$ 4,628	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836	\$ 3,580
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	80.14%	143.53%	103.88%	96.88%	101.71%	248.88%	141.66%	64.36%
Plan fiduciary net position as a percentage of the total pension liability	86.94%	75.92%	81.89%	82.68%	81.00%	63.00%	75.00%	87.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 616	\$ 607	\$ 530	\$ 513	\$ 496	\$ 368	\$ 389	\$ 388
Contributions in relation to the contractually required contributions	616	607	530	513	496	368	389	388
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 4,695	\$ 4,628	\$ 4,041	\$ 3,915	\$ 3,781	\$ 3,634	\$ 3,850	\$ 3,836
Contributions as a percentage of covered payroll	13.12%	13.12%	13.12%	13.10%	13.12%	10.13%	10.10%	10.11%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year ended June 30, 2022**

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage Inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, includes inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, set back 1 year for males
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin expense as a % of payroll	0.17%

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Municipal Peace Officers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.024527%	66.853347%	67.063878%	67.124706%	67.085433%	66.499650%	66.954111%	66.888728%
Nonemployer's proportionate share of the net pension liability	\$ 121,842	\$ 163,514	\$ 133,487	\$ 114,956	\$ 119,354	\$ 119,708	\$ 110,756	\$ 105,106
Plan fiduciary net position as a percentage of the total pension liability	75.76%	64.84%	68.84%	70.95%	68.00%	66.00%	67.00%	67.00%

Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 18,012	\$ 17,395	\$ 16,677	\$ 15,941	\$ 15,283	\$ 13,215	\$ 13,752	\$ 13,433
Contributions in relation to the contractually required contributions	18,012	17,395	16,677	15,941	15,283	13,215	13,752	13,433
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

Method and assumptions used in calculations of contractually determined contributions: The contractually determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 29.37% of member compensation on behalf of all employer entities per Section 19-9-702, MCA.

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.513625%	2.378643%	2.013129%	2.300917%	2.233929%	2.261523%	2.399255%	1.850026%
Employer's proportionate share of the net pension liability	\$ 2,151	\$ 3,722	\$ 2,309	\$ 2,650	\$ 2,525	\$ 2,583	\$ 2,454	\$ 1,806
Employer's covered payroll	\$ 1,415	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986	\$ 735
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	152.01%	291.69%	219.70%	240.25%	247.06%	265.20%	249.00%	245.00%
Plan fiduciary net position as a percentage of the total pension liability	87.72%	75.34%	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 717	\$ 665	\$ 599	\$ 494	\$ 518	\$ 472	\$ 475	\$ 142
Contributions in relation to the contractually required contributions	717	665	599	494	518	472	475	142
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 1,527	\$ 1,415	\$ 1,276	\$ 1,051	\$ 1,103	\$ 1,022	\$ 974	\$ 986
Contributions as a percentage of covered payroll	46.95%	47.00%	46.94%	47.00%	46.96%	46.18%	49.00%	14.40%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2022**

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2020, determined as of June 30, 2020. The following actuarial methods and assumptions were used to determine contractual contribution rates reported in that schedule:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Asset valuation method	4-year smoothed market
Wage inflation	3.50%
Merit increases	0% to 6.30%
Total salary increases	3.50% to 10.02%, including inflation
Inflation	2.75%
Investment rate of return	7.65%, including inflation
Mortality (healthy)	RP-2000 Combined employee and annuitant mortality table projected to 2020 using scale BB, males set back 1 year
Mortality (disabled)	RP-2000 Combined employee and annuitant mortality table
Admin as a % of payroll	0.17%

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity**

**Firefighters' Unified Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	67.671029%	67.656380%	69.323577%	67.972164%	67.876338%	67.809541%	67.358196%	68.005182%
Nonemployer's proportionate share of the net pension liability	\$ 57,910	\$ 105,867	\$ 79,524	\$ 78,285	\$ 76,724	\$ 77,448	\$ 68,892	\$ 66,384
Plan fiduciary net position as a percentage of the total pension liability	87.72%	75.34%	80.08%	79.03%	78.00%	75.00%	77.00%	77.00%

**Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 18,871	\$ 17,897	\$ 17,147	\$ 16,209	\$ 15,272	\$ 14,042	\$ 13,635	\$ 13,573
Contributions in relation to the contractually required contributions	18,871	17,897	17,147	16,209	15,272	14,042	13,635	13,573
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2022**

Method and assumptions used in calculations of statutorily determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 32.61% of member compensation on behalf of all employer entities per Section 19-13-604, MCA.

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity**

**Volunteer Firefighters' Compensation Act
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	100%	100%	100%	100%	100%	100%	100%	100%
Nonemployer's proportionate share of the net pension liability	\$ 1,323	\$ 9,106	\$ 6,907	\$ 7,667	\$ 10,087	\$ 10,599	\$ 10,504	\$ 5,089
Plan fiduciary net position as a percentage of the total pension liability	97.40%	81.42%	85.23%	83.48%	78.00%	76.00%	76.00%	87.00%

**Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30**

(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 2,840	\$ 2,578	\$ 2,475	\$ 2,361	\$ 2,207	\$ 2,054	\$ 2,024	\$ 1,913
Contributions in relation to the contractually required contributions	2,840	2,578	2,475	2,361	2,207	2,054	2,024	1,913
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2022**

Method and assumptions used in calculations of actuarially determined contributions: The statutorily determined contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2020, are as follows:

The State contributes 5% of certain fire tax insurance premiums paid per Section 19-17-301, MCA.

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

**Required Supplementary Information
State of Montana as an Employer Entity**

**Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability	2.165630%	2.303331%	2.411113%	2.554088%	2.860298%	3.121008%	3.422388%	4.689747%
Employer's proportionate share of the net pension liability	\$ 35,874	\$ 51,812	\$ 46,493	\$ 47,407	\$ 48,227	\$ 57,016	\$ 56,230	\$ 72,168
Employer's covered payroll	\$ 21,776	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252	\$ 32,937
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	164.74%	231.47%	199.97%	195.29%	178.99%	197.18%	179.00%	219.00%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

**Schedule of Employer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)**

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 16,216	\$ 16,103	\$ 16,686	\$ 16,538	\$ 17,298	\$ 17,396	\$ 16,946	\$ 16,234
Contributions in relation to the contractually required contributions	16,216	16,103	16,686	16,538	17,298	17,396	16,946	16,234
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 20,293	\$ 21,776	\$ 22,384	\$ 23,250	\$ 24,275	\$ 26,944	\$ 28,915	\$ 31,252
Contributions as a percentage of covered payroll	79.91%	73.95%	74.54%	71.13%	71.26%	64.56%	58.00%	52.00%

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

**Notes to Required Supplementary Information
For the Year Ended June 30, 2022**

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2021, determined as of June 30, 2021. The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open
Asset valuation method	4-year smoothed market
Wage inflation	3.25%
Merit increase	0 to 4.51% for non-university members and 1.00% for university members
Total salary increases	3.25% to 7.76% for non-university members and 4.25% for university members, including inflation
Inflation	2.50%
Investment rate of return	7.50%, net of pension plan investment expense, and including inflation
Mortality (healthy)	RP-2000 Healthy Combined mortality table projected to 2022 adjusted for partial credibility setback for 2 years
Mortality (disabled)	RP-2000 Disabled mortality table for males set back 3 years, for females set forward 2 years
Admin as a % of payroll	0.46%

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

Required Supplementary Information
State of Montana as a Nonemployer Contributing Entity

Teachers' Retirement System
Schedule of Proportionate Share of the Net Pension Liability ¹
For the Year Ended June 30
(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Nonemployer's proportion of the net pension liability	35.761137%	36.554642%	37.112880%	37.735743%	38.133267%	38.729473%	39.384625%	38.777294%
Nonemployer's proportionate share of the net pension liability	\$ 592,396	\$ 822,282	\$ 715,637	\$ 700,417	\$ 642,958	\$ 707,527	\$ 647,092	\$ 596,724
Plan fiduciary net position as a percentage of the total pension liability	75.54%	64.95%	68.64%	69.09%	70.00%	67.00%	69.00%	70.00%

Schedule of Nonemployer Contributions ¹
For the Fiscal Year Ended June 30
(dollars in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contributions	\$ 47,680	\$ 46,701	\$ 44,841	\$ 44,333	\$ 43,718	\$ 43,028	\$ 42,400	\$ 42,806
Contributions in relation to the contractually required contributions	47,680	46,701	44,841	44,333	43,718	43,028	42,400	42,806
Contribution deficiency/(excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

¹ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2022

Method and assumptions used in calculations of contractually determined contributions: The contractually required contribution rates are set forth by the Legislature and are contained within the Montana Code Annotated (MCA). The amounts used for the valuation as of the year ended June 30, 2021, are as follows:

The State contributes 0.11% of the compensation of members participating per Section 19-20-604, MCA.

The State contributes 2.38% of member compensation on behalf of school district and community college entities per Section 19-20-607, MCA.

The State contributes a \$25.0 million payment from the General Fund per Section 19-20-607, MCA.

Changes of assumptions: The discount rate was lowered from 7.34% to 7.06%. The investment rate of return was lowered from 7.34% to 7.06%. The inflation rate remained 2.40%.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 3. OTHER POSTEMPLOYMENT BENEFITS PLAN INFORMATION (OPEB)

The State of Montana and MUS OPEB plans allow retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of the Total OPEB Liability in the related financial statements and note disclosures.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for the State of Montana OPEB plan.

Total OPEB Liability and Related Ratios

Last 10 Fiscal Years ⁽¹⁾

(in thousands)

Total OPEB Liability	2022	2021	2020	2019	2018
Service cost	\$ 8,726	\$ 1,734	\$ 1,946	\$ 2,062	\$ 1,889
Interest	3,513	1,333	1,586	1,990	2,014
Difference between expected and actual experience	—	(6,137)	(9,409)	—	(4,723)
Changes of assumptions or other inputs	(38,710)	104,439	(1,877)	2,895	(295)
Benefit payments	2,592	(1,196)	(601)	(1,709)	1,705
Net change in Total OPEB Liability	(23,879)	100,173	(8,355)	5,238	590
Total OPEB Liability - Beginning	147,515	47,342	55,697	50,459	49,869
Total OPEB Liability - Ending	\$ 123,636	\$ 147,515	\$ 47,342	\$ 55,697	\$ 50,459
State and discretely presented component units' proportion of the collective Total OPEB Liability	100 %	100 %	100 %	100 %	100 %
Covered employee payroll	\$ 707,118	\$ 689,871	\$ 690,563	\$ 702,688	\$ 675,661
Total OPEB Liability as a percentage of covered employee payroll	17.48 %	21.38 %	6.86 %	7.93 %	7.47%

⁽¹⁾ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes in Actuarial Assumptions and Methods

June 30, 2022: Changes in assumptions for 2022 were due to an increase in the discount rate from 2.23% to 3.31%.

June 30, 2021: Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

June 30, 2020: Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020, municipal bond rate sources.

June 30, 2019: Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

June 30, 2018: Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017, and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements. Other changes include revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

Changes in Benefit Terms

June 30, 2022: None

June 30, 2021: None

June 30, 2020: None

June 30, 2019: None

June 30, 2018: Medical plans moved from Cigna to Allegiance as of January 1, 2016, the State implemented reference-based pricing hospital contracts effective July 1, 2016, and pharmacy moved from URx to Navitus as of January 1, 2017. The State implemented an Employer Group Waiver Program for Medicare retirees effective January 1, 2017.

In accordance with GASB 75, the following information is presented to reflect the funding progress of the Other Postemployment Benefits Plans for MUS plan.

Total OPEB Liability and Related Ratios

Last 10 Fiscal Years ⁽¹⁾

(in thousands)

Total OPEB Liability	2022	2021	2020	2019	2018
Service cost	\$ 3,684	\$ 1,412	\$ 1,736	\$ 1,952	\$ 1,954
Interest	1,387	777	1,130	1,495	1,410
Difference between expected and actual experience	—	(17,388)	(15,015)	—	(1,323)
Changes of assumptions or other inputs	(17,283)	45,674	(1,791)	1,351	(182)
Benefit payments	2,476	(13)	1,441	(888)	(679)
Net change in Total OPEB Liability	(9,736)	30,462	(12,499)	3,910	1,180
Total OPEB Liability - Beginning	57,311	26,849	39,348	35,438	34,258
Total OPEB Liability - Ending	\$ 47,575	\$ 57,311	\$ 26,849	\$ 39,348	\$ 35,438
State and discretely presented component units' proportion of the collective Total OPEB Liability	95.18 %	95.18 %	94.92 %	95.59 %	95.62 %
Covered employee payroll ⁽²⁾	\$ 425,451	\$ 415,074	\$ 418,193	\$ 451,613	\$ 434,243
Total OPEB Liability as a percentage of covered employee payroll	11.18 %	13.81 %	6.42 %	9.11 %	8.53 %

⁽¹⁾ Schedules are intended to present information for 10 years. Additional years will be displayed as they become available.

⁽²⁾ Amount reported is for the whole MUS plan for 2018 and 2019. Community Colleges were included due to lack of ability to separate covered employee payroll for those years.

Note to Schedule: No assets are accumulated in a trust that meets the criteria of GASB 75.

Factors that significantly affect trends in the amounts reported:

Changes in Actuarial Assumptions and Methods

June 30, 2022: Changes in assumptions for 2022 were due to an increase in the discount rate from 2.23% to 3.31%.

June 30, 2021: Changes in assumptions for 2021 were due to no retiree contribution increase and a decrease in the discount rate from 2.75% to 2.23%.

June 30, 2020: Changes in actuarial assumptions include a participation rate reduction from 55% to 40% based on recent experience study, a revision to rates per the Retirement System pension valuations as of July 1, 2019, and the interest/discount rate was based on the average of multiple March 31, 2020, municipal bond rate sources.

June 30, 2019: Changes in actuarial assumptions include interest rate based upon March 31, 2019, 20-year municipal bond index per GASB 75 requirements.

June 30, 2018: Changes in actuarial methods include adjustments to the amortization period and actuarial cost method to conform with GASB 75 requirements. Changes in actuarial assumptions include revised rates per the retirement system pension valuations as of July 1, 2017, and interest rate based upon the March 31, 2018, 20-year municipal bond index per GASB 75 requirements, lapse rates were removed to reflect a return to standard retiree contribution levels, added employees covered by the MUS-RP, changes in revised rates based on actual data and projected trend and updated projected healthcare trend rates to follow the Getzen model.

Changes of Benefit Terms

June 30, 2022: None

June 30, 2021: Carrier options reduced to one

June 30, 2020: Changes in benefit terms include increased annual deductible and out-of-pocket maximums

June 30, 2019: None

June 30, 2018: Increased deductible, increased out-of-pocket limits for Medica and RX, increased visit copays, pharmacy moved from URx to Navitus as of July 1, 2017, employer group waiver program for Medicare retirees became effective July 1, 2017, adopted combined annual visit max of 30 for multiple therapy services and massage therapy moved into rehabilitation benefit.

REQUIRED SUPPLEMENTARY INFORMATION

NOTE RSI – 4. RISK MANAGEMENT TREND INFORMATION

The following tables present risk management trend information for the Hail Insurance Fund and the MUS Group Benefits Fund. The Hail Insurance Fund pays claims within a calendar year cycle that parallels the growing season from spring planting to fall harvesting; therefore, it has no development cycle. The MUS Group Benefits Fund has a three to five-year development cycle.

The tables illustrate how the earned revenues (net of reinsurance) of the funds and their investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the funds as of the end of the fiscal year (in thousands). Section 3 shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred. Section 4 shows the cumulative amounts paid as of the end of successive years for each policy year. Section 6 shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. Section 7 compares the latest re-estimated incurred claims amount to the amount originally established (Section 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. This table will be revised as data for successive policy years develops.

[illegible]

Montana University System – Medical, Dental, Vision, Rx Claims
Claims Development Information

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
1. Premiums and investment Revenue	\$ 92,149	\$ 95,150	\$ 98,599	\$ 98,885	\$ 99,369	\$ 100,693	\$ 84,297	\$ 80,764	\$ 79,257	\$ 76,505
2. Unallocated expenses including overhead	\$ 4,526	\$ 4,617	\$ 4,691	\$ 5,150	\$ 5,111	\$ 5,196	\$ 5,129	\$ 5,198	\$ 4,787	\$ 3,938
3. Estimated losses and expenses end of accident year	\$ 105,327	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877	\$ 69,325
4. Net paid (cumulative) as of:										
End of policy year	\$ 96,927	\$ 93,363	\$ 83,896	\$ 82,211	\$ 80,393	\$ 75,601	\$ 76,400	\$ 79,388	\$ 63,317	\$ 61,964
One year later	—	101,661	93,665	91,306	89,050	84,575	85,796	88,943	69,073	67,988
Two years later	—	—	93,605	91,453	89,140	84,729	85,894	89,261	69,074	68,024
Three years later	—	—	—	91,452	89,161	84,738	86,002	89,264	69,076	68,024
Four years later	—	—	—	—	89,163	84,740	86,038	89,271	69,076	68,024
Five years later	—	—	—	—	—	84,739	86,121	89,283	69,076	68,024
Six years later	—	—	—	—	—	—	86,121	89,283	69,076	68,024
Seven years later	—	—	—	—	—	—	—	89,283	69,076	68,024
Eight years later	—	—	—	—	—	—	—	—	69,076	68,024
Nine years later	—	—	—	—	—	—	—	—	—	68,024
5. Re-estimated ceded losses and expenses	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
6. Re-estimated net incurred losses and expense:										
End of policy year	\$ 105,327	\$ 103,924	\$ 96,326	\$ 93,392	\$ 90,427	\$ 85,802	\$ 87,233	\$ 87,353	\$ 71,877	\$ 69,325
One year later	—	98,293	95,730	93,028	89,036	84,567	86,148	88,824	71,700	68,349
Two years later	—	—	93,605	91,453	89,140	84,729	85,894	89,261	69,074	68,024
Three years later	—	—	—	91,452	89,161	84,738	86,002	89,264	69,076	68,024
Four years later	—	—	—	—	89,163	84,740	86,038	89,271	69,076	68,024
Five years later	—	—	—	—	—	84,739	86,121	89,283	69,076	68,024
Six years later	—	—	—	—	—	—	86,121	89,283	69,076	68,024
Seven years later	—	—	—	—	—	—	—	89,283	69,076	68,024
Eight years later	—	—	—	—	—	—	—	—	69,076	68,024
Nine years later	—	—	—	—	—	—	—	—	—	68,024
7. Increase (decrease) in estimated net incurred losses and expenses from end of policy year	\$ —	\$ (5,631)	\$ (2,721)	\$ (1,940)	\$ (1,263)	\$ (1,063)	\$ (1,112)	\$ 1,931	\$ (2,800)	\$ (1,302)

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

CORPORATION FOR NATIONAL & COMMUNITY SERVICE

	Provided to Subrecipients	Total Federal Expenditures
94.003 State Commissions	-	\$ 334,097
94.006 AmeriCorps	2,469,780	2,776,937
94.009 Training and Technical Assistance	-	183,975
94.013 Volunteers in Service to America	-	265,652
Unclustered Total	\$ 2,469,780	\$ 3,560,661
CORPORATION FOR NATIONAL & COMMUNITY SERVICE TOTAL		
	\$ 2,469,780	\$ 3,560,661

DEPARTMENT OF AGRICULTURE

10.001 Agricultural Research Basic and Applied Research eExtension Foundation SA-2021-61 Washington State University 134967 SPC001287	-	\$ 30,405
10.025 Plant and Animal Disease, Pest Control, and Animal Care	-	5,273
10.069 Conservation Reserve Program	-	9,984
10.093 Voluntary Public Access and Habitat Incentive Program	-	1,193,157
10.156 Federal-State Marketing Improvement Program	-	1,378
10.162 Inspection Grading and Standardization	-	530,951
10.163 Market Protection and Promotion	-	32,200
10.170 Specialty Crop Block Grant Program - Farm Bill	-	10,314
10.175 Farmers Market and Local Food Promotion Program National Center for Appropriate Technology 810361047	377,529	97,918
10.200 Grants for Agricultural Research, Special Research Grants University of California, Davis A21-3578-S012	-	2,177,379
10.210 Higher Education - Graduate Fellowships Grant Program	-	-
10.229 COVID-19 Extension Collaborative on Immunization Teaching & Engagement eExtension Foundation EXC1-2021-2051	-	19,746
	-	-
	-	5,400
	-	913
	-	-
	-	20,151

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	-	15,010
10.310	Agriculture and Food Research Initiative (AFRI)	12,374	87,474
	University of Idaho AD 1865-884868	-	36
10.311	Beginning Farmer and Rancher Development Program	-	-
	Servicemember Agricultural Vocation Education Corporation	-	29,570
	Stone Child College 2021-49400-35612	-	1,883
10.435	State Mediation Grants	-	18,808
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	1,054,360
10.500	Cooperative Extension Service	82,725	611,303
	Brown University 00001714	-	10,730
	Kansas State University A00-0983-S075	-	9
	Kansas State University A22-0394-S012	-	236
	University of Missouri C00067296-3	-	19,852
	Utah State University 203672-758	-	5,142
10.516	Rural Health and Safety Education Competitive Grants Program	-	127,993
10.525	Farm and Ranch Stress Assistance Network Competitive Grants Program	284,750	368,050
10.534	CACFP Meal Service Training Grants	-	(9,946)
10.541	Child Nutrition-Technology Innovation Grant	-	127,541
10.542	COVID-19 Pandemic EBT Food Benefits	-	30,310,983
10.557	COVID-19 WIC Special Supplemental Nutrition Program for Women, Infants, and Children	-	641,942
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	4,877,776	13,420,336
10.558	Child and Adult Care Food Program	1,156,863	10,534,554
10.560	State Administrative Expenses for Child Nutrition	-	675,246
10.567	COVID-19 Food Distribution Program on Indian Reservations	127,984	127,984
10.567	Food Distribution Program on Indian Reservations	1,776,130	4,120,350
10.572	WIC Farmers' Market Nutrition Program (FMNP)	-	54,530
10.574	Team Nutrition Grants	-	362,954
10.575	Farm to School Grant Program	-	69,836
10.576	Senior Farmers Market Nutrition Program	40,997	122,405

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
10.579	Child Nutrition Discretionary Grants Limited Availability	68,638	613,509
10.649	COVID-19 Pandemic EBT Administrative Costs	962	962
10.652	Forestry Research	-	208,541
10.664	Cooperative Forestry Assistance	2,653,123	4,060,817
10.676	Forest Legacy Program	-	10,092,111
10.678	Forest Stewardship Program	-	4,372
10.680	Forest Health Protection	73,856	160,570
	National Wilderness Stewardship Alliance W12021	-	14,663
10.684	International Forestry Programs	-	9,862
10.689	Community Forest and Open Space Conservation Program (CFP)	-	26,037
10.691	Good Neighbor Authority	-	741,867
10.697	State & Private Forestry Hazardous Fuel Reduction Program	265,164	270,864
10.698	State & Private Forestry Cooperative Fire Assistance	54,204	82,028
10.699	Partnership Agreements	-	111,695
10.902	Soil and Water Conservation	23,693	263,351
10.903	Soil Survey	-	9,831
10.912	Environmental Quality Incentives Program	-	52,398
10.924	Conservation Stewardship Program	-	89,434
10.931	Agricultural Conservation Easement Program	-	89,434
10.951	Agricultural Statistics	-	49,000
10.UXX	Miscellaneous Non-Major Grants	-	39,670
	Unclustered Total	\$ 11,876,768	\$ 84,035,356
Child Nutrition Cluster			
10.553	COVID-19 School Breakfast Program	\$ 19,285,554	\$ 19,285,554
10.553	School Breakfast Program	976,127	1,086,424
10.555	COVID-19 National School Lunch Program	67,832,423	67,910,738
10.555	National School Lunch Program	2,020,711	2,370,668

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
10.556	Special Milk Program for Children	5,187	5,187
10.559	Summer Food Service Program for Children	6,668,139	6,903,738
10.582	Fresh Fruit and Vegetable Program	1,394,438	1,452,634
	Child Nutrition Cluster Total	\$ 98,182,579	\$ 99,014,943
Food Distribution Cluster			
10.565	Commodity Supplemental Food Program	\$ 110,093	\$ 1,899,545
10.568	COVID-19 Emergency Food Assistance Program (Administrative Costs)	-	53,578
10.568	Emergency Food Assistance Program (Administrative Costs)	461,504	564,325
10.569	Emergency Food Assistance Program (Food Commodities)	-	3,724,690
	Food Distribution Cluster Total	\$ 571,597	\$ 6,242,138
Forest Service Schools and Roads Cluster			
10.665	Schools and Roads - Grants to States	\$ 14,382,681	\$ 14,382,681
	Forest Service Schools and Roads Cluster Total	\$ 14,382,681	\$ 14,382,681
SNAP Cluster			
10.551	Supplemental Nutrition Assistance Program	\$ -	\$ 182,253,856
10.561	COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	20,113	944,995
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	229,798	15,538,150
	SNAP Cluster Total	\$ 249,911	\$ 198,737,001
	DEPARTMENT OF AGRICULTURE TOTAL	\$ 125,263,536	\$ 402,412,119
DEPARTMENT OF COMMERCE			
11.008	NOAA Mission-Related Education Awards	\$ -	\$ 28,821
11.303	Economic Development Technical Assistance	-	209,300
11.550	Public Telecommunications Facilities Planning and Construction	-	-
	Corporation for Public Broadcasting 1492	-	190,366

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
11.611	Manufacturing Extension Partnership	20,210	822,188
	Hawaii Technology Development	-	15,222
	Missouri Enterprise	-	9,998
	Oregon Manufacturing Extension	-	25,191
	<i>Unclustered Total</i>	<i>20,210</i>	<i>1,301,086</i>
	<i>Economic Development Cluster</i>		
11.307	COVID-19 Economic Adjustment Assistance	-	61,520
11.307	Economic Adjustment Assistance		225,648
	Revolving Loan Funds Award 05-19-02445		324,245
	Revolving Loan Funds Award 05-79-73005	-	3,166,213
	<i>Economic Development Cluster Total</i>	<i>-</i>	<i>3,777,626</i>
	<i>DEPARTMENT OF COMMERCE TOTAL</i>	<i>20,210</i>	<i>5,078,712</i>
	DEPARTMENT OF DEFENSE		
12.002	Procurement Technical Assistance For Business Firms	-	-
	Big Sky Economic Development Corporation SP4800-20-2-2022	-	7,815
	Big Sky Economic Development Corporation SP4800-21-2-2122	-	80,214
12.005	Conservation and Rehabilitation of Natural Resources on Military Installations	-	838,825
12.110	Planning Assistance to States	-	359,861
12.112	Payments to States in Lieu of Real Estate Taxes	-	17,961
12.357	ROTC Language and Culture Training Grants	-	-
	Institute of International Education PGO1801-UMT-16-PGO-051-PO6	-	72,208
	Institute of International Education PGO1801-UMT-16-LTC-052-PO9	-	589,665
	Institute of International Education PGO1801-UMT-16-PGO-051-PO8	-	613,249
12.400	Military Construction, National Guard	-	147,138
12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	26,461,485
12.404	National Guard Challenge Program	-	5,007,749

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
12.579	Language Training Center	-	-
	Institute of International Education PG1801-UMT-16-LTC-052-PO5	-	16,198
	Institute of International Education PGO1801-UMT-16-LTC-052-P07	-	7,564,706
	Institute of International Education PGO1801-UMT-16-LTC-052-PO3	-	(1,814)
12.630	Basic, Applied, and Advanced Research in Science and Engineering	-	-
	National Science Teachers Association #22-871-010	-	46,258
	Technology Student Association	-	34,650
12.800	Air Force Defense Research Sciences Program	-	67,874
12.903	GenCyber Grants Program	-	33,454
12.UXX	Miscellaneous Non-Major Grants	-	382,329
	Multilingual Solutions, Inc. 4014-002, PO#2022-GS-007	-	17,908
	Multilingual Solutions, Inc. 4014-003, PO#2022-GS-011	-	3,922
	Pacific States Marine Fisheries Commission 21-129P	-	1,337,047
	Pacific States Marine Fisheries Commission 21-179P	-	264,571
	Pacific States Marine Fisheries Commission 22-019P	-	15,318
	Pacific States Marine Fisheries Commission 22-155P	-	378
	Pacific States Marine Fisheries Commission 22-162P	-	260
	Pacific States Marine Fisheries Commission 22-171P	-	133,678
	Unclustered Total	\$ -	\$ 44,112,907
	DEPARTMENT OF DEFENSE TOTAL	\$ -	\$ 44,112,907

DEPARTMENT OF EDUCATION

84.002	Adult Education - Basic Grants to States	\$ 1,029,395	\$ 1,355,435
84.010	Title I Grants to Local Educational Agencies	50,497,435	52,188,498
84.011	Migrant Education State Grant Program	1,083,330	1,262,758
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	283,811
84.016	Undergraduate International Studies and Foreign Language Programs	6,908	62,393

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		<u>Provided to Subrecipients</u>	<u>Total Federal Expenditures</u>
84.031	Higher Education Institutional Aid	-	767,258
84.048	Career and Technical Education -- Basic Grants to States	4,051,261	6,292,475
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	8,884,724
84.144	Migrant Education Coordination Program	59,242	59,242
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	188,057
84.181	COVID-19 Special Education-Grants for Infants and Families	-	1,193
84.181	Special Education-Grants for Infants and Families	-	2,074,083
84.184	School Safety National Activities	-	571,163
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	328,674
84.196	Education for Homeless Children and Youth	239,043	272,781
84.287	Twenty-First Century Community Learning Centers	6,064,284	6,427,249
84.299	Indian Education -- Special Programs for Indian Children	-	-
	Aaniih Nakoda College S299B180009	-	31,047
	Blackfeet Community College PBTP#387	-	156,283
	Blackfeet Community College TCTC#2-3861-5104	-	82,892
	Blackfeet Community College TCTC#2-386-1-5107	-	12,850
	Fort Peck Community College ED-GRANTS-061418-001	-	1
	Little Big Horn College S299B210024	-	250,933
84.305	Education Research, Development and Dissemination	-	124,523
84.323	Special Education - State Personnel Development	231,444	619,163
84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	-	97,078
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	-	130,229
	Helen Keller National Center 2021-116	-	19,716
84.326T	State Technical Assistance Projects to Improve Services and Results for Children Who Are Deaf-Blind, and National Technical Assistance and Dissemination Center for Children Who Are Deaf-Blind.	-	-
	Helen Keller National Center	-	55,523

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	1,789,027	4,964,634
84.335	Child Care Access Means Parents in School	-	19,035
84.358	Rural Education	826,217	865,481
84.365	English Language Acquisition State Grants	428,902	612,505
84.367	Supporting Effective Instruction State Grants	10,225,644	10,670,060
	National Writing Project #09-MT02-2019SEED-CJ	-	10,000
84.369	Grants for State Assessments and Related Activities	-	3,299,444
84.371	Comprehensive Literacy Development	16,771,710	17,552,172
84.372	Statewide Longitudinal Data Systems	-	668,601
84.377	School Improvement Grants	-	160,648
84.411	Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	-	-
	North American Native Research and Education Foundation, Inc. 1001R	-	353,447
84.424	Student Support and Academic Enrichment Program	5,608,709	5,815,516
84.426	Randolph-Sheppard - Financial Relief and Restoration Payments	33,994	33,994
84.998	American Printing House for the Blind	-	5,218
84.UXX	Miscellaneous Non-Major Grants	-	94,813
	Unclustered Total	\$ 98,946,545	\$ 127,725,600
Education Stabilization Fund			
84.425C	COVID-19 Governor's Emergency Education Relief (GEER) Fund	1,242,757	1,447,181
84.425D	COVID-19 Elementary and Secondary School Emergency Relief (ESSER) Fund	79,114,694	80,896,585
84.425E	COVID-19 Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	-	36,449,555
84.425F	COVID-19 HEERF Institutional Aid Portion	-	21,097,279
84.425M	COVID-19 HEERF Strengthening Institutions Program (SIP)	-	1,718,404
84.425R	COVID-19 Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) program	1,002,569	1,904,618
84.425U	COVID-19 American Rescue Plan -Elementary and Secondary School Emergency Relief (ARP ESSER)	48,473,660	48,506,402
84.425W	COVID-19 American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	210,638	236,982
	Education Stabilization Fund Total	\$ 130,044,318	\$ 192,257,006

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
Special Education Cluster (IDEA)			
84.027	Special Education Grants to States	\$ 36,068,457	\$ 39,408,865
84.027X	Special Education Grants to States	2,276,669	2,278,243
84.173	Special Education Preschool Grants	1,159,390	1,162,395
84.173X	Special Education Preschool Grants	153,017	153,174
	Special Education Cluster (IDEA) Total	\$ 39,657,533	\$ 43,002,677
Student Financial Assistance Cluster			
84.007	Federal Supplemental Educational Opportunity Grants	\$ -	\$ 2,099,879
84.033	Federal Work-Study Program	-	1,581,980
84.038	Federal Perkins Loan Program - Federal Capital Contributions	-	19,311,066
84.063	Federal Pell Grant Program	-	35,745,321
84.268	Federal Direct Student Loans	-	144,211,833
	Student Financial Assistance Cluster Total	\$ -	\$ 202,950,079
TRIO Cluster			
84.042	TRIO Student Support Services	\$ -	\$ 2,389,190
84.044	TRIO Talent Search	17,614	1,463,473
84.047	TRIO Upward Bound	-	1,735,478
84.066	TRIO Educational Opportunity Centers	-	90,189
	TRIO Cluster Total	\$ 17,614	\$ 5,678,330
	DEPARTMENT OF EDUCATION TOTAL	\$ 268,666,010	\$ 571,613,692
DEPARTMENT OF ENERGY			
81.041	State Energy Program	\$ -	\$ 568,150
81.042	Weatherization Assistance for Low-Income Persons	67,563	2,356,632
81.086	Conservation Research and Development	-	-
	Utah Clean Cities DE-EE0008893	-	7,536

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
81.119	State Energy Program Special Projects	-	-
	State of Utah DE-EE0008610	-	6,303
81.138	State Heating Oil and Propane Program	-	9,621
81.UXX	Miscellaneous Non-Major Grants	-	-
	Bonneville Power Administration IAA NO. 87723	-	6,000
	National Fish and Wildlife Foundation 0201.22.073815	-	2,373
	Pacific States Marine Fisheries Commission 21-066G	-	23,666
	Pacific States Marine Fisheries Commission 22-074G	-	91,136
	Unclustered Total	\$ 67,563	\$ 3,071,417
	DEPARTMENT OF ENERGY TOTAL	\$ 67,563	\$ 3,071,417

DEPARTMENT OF HEALTH AND HUMAN SERVICES

93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	\$ 8,320	\$ 23,748
93.042	COVID-19 Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	32,652	32,827
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	86,357	110,270
93.043	COVID-19 Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	168,213	168,606
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	117,069	114,003
93.048	COVID-19 Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	-	51,052
93.052	COVID-19 National Family Caregiver Support, Title III, Part E	556,676	563,574
93.052	National Family Caregiver Support, Title III, Part E	830,776	920,168
93.069	Public Health Emergency Preparedness	2,857,269	5,084,289
93.070	Environmental Public Health and Emergency Response	25,000	522,868
93.071	Medicare Enrollment Assistance Program	200,465	221,991
93.072	Lifespan Respite Care Program	-	272,800

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	82,796
93.090	COVID-19 Guardianship Assistance	-	178,103
93.090	Guardianship Assistance	-	3,043,221
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	147,219	239,947
93.103	Food and Drug Administration Research	-	303,532
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	53,878	660,358
93.107	COVID-19 Area Health Education Centers	-	1
93.107	Area Health Education Centers	51,339	185,056
93.110	Maternal and Child Health Federal Consolidated Programs	1,963,258	3,378,972
	Family Voices, Inc. 2020-429	-	36
	Utah State University PO463210-E	-	302
	Utah State University PO497108-E	-	9,000
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	216,666
93.127	Emergency Medical Services for Children	-	154,025
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	35,940	163,535
93.136	Injury Prevention and Control Research and State and Community Based Programs	299,410	2,511,281
93.150	Projects for Assistance in Transition from Homelessness (PATH)	595,019	600,635
93.155	COVID-19 Rural Health Research Centers	5,479,029	6,300,883
	National Rural Health Association 2021 SRHA TECHNICAL ASSISTANCE	-	6,928
	National Rural Health Association 2022 SRHA TECHNICAL ASSISTANCE	-	5,956
93.165	Grants to States for Loan Repayment Program	40,707	40,707
93.178	Nursing Workforce Diversity	-	554,586
93.184	Disabilities Prevention	-	392,188
	University of Alabama NU27DD001157	-	7,790

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
93.185	Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	-	-
93.197	Association of University Centers on Disabilities 14-8818-22 Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	-	43,886 80,404
93.217	Family Planning Services	2,014,447	2,613,233
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	48,748	139,627
93.236	Grants to States to Support Oral Health Workforce Activities	209,726	380,522
93.240	State Capacity Building	-	281,891
93.241	State Rural Hospital Flexibility Program	706,368	832,100
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance City of Mercer Island	3,902,383 -	7,388,850 77,366
93.251	Universal Newborn Hearing Screening	3,561	132,055
93.262	Occupational Safety and Health Program	9,000	219,911
93.268	COVID-19 Immunization Cooperative Agreements	10,705,835	14,376,816
93.268	Immunization Cooperative Agreements	226,551	12,627,783
93.270	Viral Hepatitis Prevention and Control	22,016	243,355
93.301	COVID-19 Small Rural Hospital Improvement Grant Program	239,650	263,615
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	295,227	1,496,028
93.307	Minority Health and Health Disparities Research	-	9,452,265
93.323	COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	6,597,315	41,459,051
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	2,225,119	2,250,346
93.324	State Health Insurance Assistance Program	412,171	495,113
93.336	COVID-19 Behavioral Risk Factor Surveillance System	-	60,000
93.336	Behavioral Risk Factor Surveillance System	-	419,565
93.354	COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	750,579	1,422,673

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

			Provided to Subrecipients	Total Federal Expenditures
93.369	ACL Independent Living State Grants		298,824	366,307
	The Institute for Rehabilitation and Research	2021-YR1-SILC-UMONTANA	-	7,865
	The Institute for Rehabilitation and Research	2022-YR2-SILC-UMONTANA	-	23,031
93.387	National and State Tobacco Control Program		56,220	-
93.391	COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises		534,357	9,503,512
93.421	COVID-19 Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health		-	-
93.421	Council of State and Territorial Epidemiologists	NU380T000297	-	39,371
	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health		-	-
	Association of University Centers on Disabilities	22-8814-22	-	47,429
	Association of University Centers on Disabilities	32-21-8814	-	36,133
	Association of University Centers on Disabilities	8/21/8815	-	37,798
93.423	1332 State Innovation Waivers		17,723,226	17,723,226
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke-Financed in part by 2018 Prevention and Public Health Funds		106,500	1,994,439
93.432	ACL Centers for Independent Living		-	-
	The Institute for Rehabilitation and Research	2021-YR1-CIL-UMONTANA	-	31,520
	The Institute for Rehabilitation and Research	2022-YR2-CIL-UMONTANA	-	90,669
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research		17,097	292,451
	Meeting the Challenge, Inc.		-	3,125
	Shepherd Center	SHEP-19-0013	-	5,007
	University of Massachusetts	B001177895	-	9,210
	University of Massachusetts	B00125545	-	1,679
93.435	Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke-		83,450	1,680,644
93.448	Food Safety and Security Monitoring Project		-	112,826

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
93.464	ACL Assistive Technology	-	504,062
93.469	Assistive Technology Alternative Financing Program	121,220	140,854
93.470	Alzheimer's Disease Program Initiative (ADPI)	-	232,865
93.471	Title IV-E Kinship Navigator Program	-	67,637
93.478	Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	-	42,992
93.495	Community Health Workers for Public Health Response and Resilient Partnership Health PSA 12/22/2021	-	-
93.498	COVID-19 Provider Relief Fund	-	10,905
93.504	Family to Family Health Information Centers	-	554,217
93.516	Public Health Training Centers Program	-	110,495
	University of Colorado FY21.641.004	-	-
	University of Colorado Denver FY19.641.005 / 2-5-M9096	-	2,733
	University of Colorado Denver FY22.641.013_AMD2	-	9,889
		-	3,252
93.556	Promoting Safe and Stable Families	554,147	1,250,899
93.558	COVID-19 Temporary Assistance for Needy Families	-	117,487
93.558	Temporary Assistance for Needy Families	1,465,924	15,645,947
93.563	Child Support Enforcement	-	11,557,875
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs	332,853	567,471
93.568	COVID-19 Low-Income Home Energy Assistance	2,365,022	23,425,034
93.568	Low-Income Home Energy Assistance	2,405,709	19,873,486
93.569	COVID-19 Community Services Block Grant	-	921,560
93.569	Community Services Block Grant	102,682	3,469,399
93.586	State Court Improvement Program	6,500	303,139
	Confederated Salish and Kootenai Tribes 21-063	-	10,234
93.590	COVID-19 Community-Based Child Abuse Prevention Grants	-	2,410
93.590	Community-Based Child Abuse Prevention Grants	102,643	149,287
93.597	Grants to States for Access and Visitation Programs	97,155	98,786
93.599	COVID-19 Chafee Education and Training Vouchers Program (ETV)	405,741	405,741
93.599	Chafee Education and Training Vouchers Program (ETV)	373,950	376,670

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
93.603	Adoption and Legal Guardianship Incentive Payments	-	564,838
93.630	COVID-19 Developmental Disabilities Basic Support and Advocacy Grants	512,578	512,578
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	11,667	39,900
93.636	ACA - Reinvestment of Civil Money Penalties to Benefit Nursing Home Residents	21,113	274,026
93.639	COVID-19 ACA-Transforming Clinical Practice Initiative: Support and Alignment Networks (SANs)	-	1,961
93.643	Children's Justice Grants to States	-	58,681
93.645	COVID-19 Stephanie Tubbs Jones Child Welfare Services Program	-	108,741
93.645	Stephanie Tubbs Jones Child Welfare Services Program	-	792,942
93.658	COVID-19 Foster Care Title IV-E	-	440,611
93.658	Foster Care Title IV-E	1,301,479	17,350,426
	University of Denver SC37941-03/PO172840	-	88,837
	University of Denver SC37941-03-01/PO169707	-	44,318
93.659	COVID-19 Adoption Assistance	-	1,124,832
93.659	Adoption Assistance	-	13,862,361
93.665	COVID-19 Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	761,900	923,965
93.667	Social Services Block Grant	711,001	6,685,224
93.669	Child Abuse and Neglect State Grants	-	314,104
93.671	COVID-19 Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	149,599	149,599
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	848,971	853,068
93.674	Chafee Foster Care Independence Program	875,381	2,757,606
93.732	Mental and Behavioral Health Education and Training Grants	78,841	1,638,726
93.747	COVID-19 Elder Abuse Prevention Interventions Program	-	421,395
93.747	Elder Abuse Prevention Interventions Program	-	466,614
93.752	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations financed in part by Prevention and Public Health Funds	66,500	366,901
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	172,401	990,472
93.761	Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	-	58,423

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
93.767	COVID-19 Children's Health Insurance Program	-	4,975,070
93.767	Children's Health Insurance Program	-	84,462,744
93.788	Opioid STR	4,968,546	6,900,434
93.791	Money Follows the Person Rebalancing Demonstration	-	515,752
93.822	Health Careers Opportunity Program	-	508,683
93.870	COVID-19 Maternal, Infant and Early Childhood Home Visiting Grant Program	9,196	50,837
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	3,056,975	3,966,572
93.884	Grants for Primary Care Training and Enhancement	-	608,503
93.889	COVID-19 National Bioterrorism Hospital Preparedness Program	-	225,377
93.889	National Bioterrorism Hospital Preparedness Program	-	1,089,101
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	656,971	2,190,927
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	161,921	294,651
93.913	Montana Health Research and Education Foundation RCORP.MORH.01.2019-2022	-	46,673
93.917	Grants to States for Operation of State Offices of Rural Health	-	207,339
93.917	COVID-19 HIV Care Formula Grants	9,000	9,788
93.917	HIV Care Formula Grants	606,039	2,245,589
93.940	HIV Prevention Activities Health Department Based	516,997	1,028,565
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	-	140,956
93.958	COVID-19 Block Grants for Community Mental Health Services	232,879	239,844
93.958	Block Grants for Community Mental Health Services	3,122,543	3,489,453
93.959	COVID-19 Block Grants for Prevention and Treatment of Substance Abuse	621,654	905,461
93.959	Block Grants for Prevention and Treatment of Substance Abuse	3,377,737	8,239,864
93.969	PPHF Geriatric Education Centers	43,072	44,631
93.970	Health Professions Recruitment Program for Indians	-	405,351
93.977	COVID-19 Sexually Transmitted Diseases (STD) Prevention and Control Grants	32,534	257,298
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	4,117	331,663
93.982	Mental Health Disaster Assistance and Emergency Mental Health	594,178	682,125

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
93.994	Maternal and Child Health Services Block Grant to the States	1,072,307	2,099,737
93.UXX	Miscellaneous Non-Major Grants	158,284	184,980
	American Association on Health and Disability	-	7,761
	Unclustered Total	\$ 93,826,893	\$ 412,987,601
Aging Cluster			
93.044	COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	2,050,186	\$ 2,051,477
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	1,432,048	1,765,227
93.045	COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	3,512,329	3,665,783
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	3,420,116	3,930,890
93.053	Nutrition Services Incentive Program	1,091,321	1,320,604
	Aging Cluster Total	\$ 11,506,000	\$ 12,733,981
CCDF Cluster			
93.575	COVID-19 Child Care and Development Block Grant	\$ 275,492	\$ 49,386,186
93.575	Child Care and Development Block Grant	23,343,282	24,653,492
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	588,084	9,699,066
	CCDF Cluster Total	\$ 24,206,858	\$ 83,738,744
Head Start Cluster			
93.600	Head Start	\$ -	\$ 116,415
	Stone Child College 90YT000038-01-00	-	178,352
	Head Start Cluster Total	\$ -	\$ 294,767
Medicaid Cluster			
93.775	State Medicaid Fraud Control Units	\$ -	\$ 647,090
93.777	COVID-19 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	31,634
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	2,919,149
93.778	COVID-19 Medical Assistance Program	-	135,316,979
93.778	Medical Assistance Program	-	1,819,050,250
	Medicaid Cluster Total	\$ -	\$ 1,957,965,102

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
<i>Student Financial Assistance Cluster</i>			
93.264	Nurse Faculty Loan Program (NFLP)	-	3,331
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	-	319,234
93.364	Nursing Student Loans	-	2,804,851
93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds	-	397,835
	<i>Student Financial Assistance Cluster Total</i>	<i>\$ -</i>	<i>\$ 3,525,251</i>
	<i>DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL</i>	<i>\$ 129,539,751</i>	<i>\$ 2,471,245,446</i>

DEPARTMENT OF HOMELAND SECURITY			
97.008	Non-Profit Security Program	89,508	89,508
97.012	Boating Safety Financial Assistance	-	498,972
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	-	239,474
97.029	Flood Mitigation Assistance	45,930	45,930
97.036	COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	8,321,168	8,317,929
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	164,580	180,771
97.039	Hazard Mitigation Grant	444,295	709,622
97.041	National Dam Safety Program	-	245,506
97.042	Emergency Management Performance Grants	2,039,997	3,453,684
97.044	Assistance to Firefighters Grant	-	5,483
97.045	Cooperating Technical Partners	-	6,537,001
97.046	Fire Management Assistance Grant	140,515	5,403,167
97.047	Pre-Disaster Mitigation	6,039,144	6,607,587
97.050	COVID-19 Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	-	1,518,568

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
97.067	Homeland Security Grant Program	4,511,142	5,316,922
	Kalispell Sheriff's Office 19-SPWSPW-12-008 VO	-	15,610
97.082	Earthquake Consortium	-	60,443
	Unclustered Total	\$ 21,796,279	\$ 39,246,177
	DEPARTMENT OF HOMELAND SECURITY TOTAL	\$ 21,796,279	\$ 39,246,177

DEPARTMENT OF HOUSING & URBAN DEVELOPMENT

14.228	COVID-19 Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	\$ 1,250,000	\$ 1,341,254
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	6,967,092	7,167,610
14.231	COVID-19 Emergency Solutions Grant Program	1,552,465	5,109,554
14.231	Emergency Solutions Grant Program	-	107,804
14.239	Home Investment Partnerships Program	4,553,614	4,805,970
14.241	COVID-19 Housing Opportunities for Persons with AIDS	-	117,387
14.241	Housing Opportunities for Persons with AIDS	336,133	1,001,815
14.275	Housing Trust Fund	4,079,854	4,400,889
14.326	Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	-	185,922

	Unclustered Total	\$ 18,739,158	\$ 24,238,205
	Housing Voucher Cluster		
14.871	COVID-19 Section 8 Housing Choice Vouchers	\$ 121,072	\$ 667,777
14.871	Section 8 Housing Choice Vouchers	-	22,562,622
14.879	Mainstream Vouchers	-	138,468
	Housing Voucher Cluster Total	\$ 121,072	\$ 23,368,867

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
Section 8 Project-Based Cluster			
14.195	Section 8 Housing Assistance Payments Program	\$ -	\$ 26,619,661
14.856	Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	-	1,515,165
	Section 8 Project-Based Cluster Total	\$ -	\$ 28,134,826
DEPARTMENT OF HOUSING & URBAN DEVELOPMENT TOTAL			
		\$ 18,860,230	\$ 75,741,898
DEPARTMENT OF JUSTICE			
16.017	Sexual Assault Services Formula Program	\$ 419,551	\$ 452,649
16.034	COVID-19 Coronavirus Emergency Supplemental Funding Program	920,526	995,640
16.528	Enhanced Training and Services to End Violence and Abuse of Women Later in Life	50,865	118,990
16.540	Juvenile Justice and Delinquency Prevention	131,798	193,773
16.543	Missing Children's Assistance	-	263,651
16.548	Title V Delinquency Prevention Program	15,196	25,476
16.550	State Justice Statistics Program for Statistical Analysis Centers	-	4,010
16.554	National Criminal History Improvement Program (NCHIP)	-	265,959
16.571	Public Safety Officers' Benefits Program	-	200
16.575	Crime Victim Assistance	5,901,124	6,419,934
16.576	Crime Victim Compensation	-	183,457
16.582	Crime Victim Assistance/Discretionary Grants	-	332,373
16.585	Drug Court Discretionary Grant Program	-	841,555
	Tribal Law and Policy Institute	-	219,139
16.588	Violence Against Women Formula Grants	737,861	809,210
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	-	-
	County of Missoula 2015-WR-AX-0013	-	2,282
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	41,922	59,526
16.593	Residential Substance Abuse Treatment for State Prisoners	15,815	30,536
16.606	State Criminal Alien Assistance Program	-	28,863
16.609	Project Safe Neighborhoods	43,470	48,458

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
16.710	Public Safety Partnership and Community Policing Grants	-	280,197
16.726	Juvenile Mentoring Program	-	-
	National 4-H Council 4H NMP-10: 2019-MU-FX-0002	-	1,737
	National 4-H Council 4H NMP-11: 2020-JU-FX-0031	-	43,512
16.738	Edward Byrne Memorial Justice Assistance Grant Program	571,728	815,485
16.741	DNA Backlog Reduction Program	-	436,883
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	207,924
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	25,250	25,250
16.750	Support for Adam Walsh Act Implementation Grant Program	-	69,383
16.758	Improving the Investigation and Prosecution of Child Abuse and the Regional and Local Children's Advocacy Centers	-	170,963
16.816	John R. Justice Prosecutors and Defenders Incentive Act	-	16,080
16.831	Children of Incarcerated Parents	-	89,441
16.833	National Sexual Assault Kit Initiative	-	277,170
16.838	Comprehensive Opioid Abuse Site-Based Program	-	4,256
16.839	STOP School Violence	-	300,697
16.922	Equitable Sharing Program	-	101,315
	Unclustered Total	\$ 8,875,106	\$ 14,135,974
	DEPARTMENT OF JUSTICE TOTAL	\$ 8,875,106	\$ 14,135,974

DEPARTMENT OF LABOR

17.002	Labor Force Statistics	\$ -	\$ 687,389
17.005	Compensation and Working Conditions	-	100,408
17.225	COVID-19 Unemployment Insurance	-	19,330,551
17.225	Unemployment Insurance	-	44,319,132
17.235	Senior Community Service Employment Program	384,291	404,791
17.245	Trade Adjustment Assistance	-	229,047
17.271	Work Opportunity Tax Credit Program (WOTC)	-	246,234

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
17.273	Temporary Labor Certification for Foreign Workers	-	345,354
17.277	COVID-19 WIOA National Dislocated Worker Grants / WIA National Emergency Grants	50,000	247,292
17.504	Consultation Agreements	-	541,546
17.600	Mine Health and Safety Grants	-	39,954
	Employment Service Cluster	434,291	\$ 66,491,698
	Unclustered Total	\$	\$
17.207	Employment Service/Wagner-Peyser Funded Activities	-	5,353,353
17.801	Disabled Veterans' Outreach Program (DVOP)	-	629,594
	Employment Service Cluster Total	-	\$ 5,982,947
	WIOA Cluster		
17.258	WIOA Adult Program	328,031	2,196,283
17.259	WIOA Youth Activities	1,731,734	2,371,372
17.278	WIOA Dislocated Worker Formula Grants	2,944	1,390,040
	WIOA Cluster Total	2,062,709	\$ 5,957,695
	DEPARTMENT OF LABOR TOTAL	2,497,000	\$ 78,432,340

DEPARTMENT OF STATE

19.009	Academic Exchange Programs - Undergraduate Programs	34,066	\$ 553,952
	World Learning CBPSA19-MSUB01	-	14,873
19.010	Academic Exchange Programs - Hubert H. Humphrey Fellowship Program	-	-
	Institute of International Education 3000208789	-	99,457
	Institute of International Education 3000255840	-	85,236
19.040	Public Diplomacy Programs	-	173,780
19.401	Academic Exchange Programs - Scholars	305,534	1,447,446

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
19.408	Academic Exchange Programs - Teachers	-	-
	International Research & Exchanges Board FY20-FTEA-MSU-02	-	1,599
	International Research & Exchanges Board FY21-FTEA-MSU-01	-	299,879
19.415	Professional and Cultural Exchange Programs - Citizen Exchanges	-	168,387
	American Councils for International Education S-ECAGD-20-CA-0043	-	165,404
19.600	Bureau of Near Eastern Affairs	-	-
	Georgetown University MSU-20210716	-	134,133
	Georgetown University MSU-20220621	-	25,188
Unclustered Total		\$ 339,600	\$ 3,169,334
DEPARTMENT OF STATE TOTAL		\$ 339,600	\$ 3,169,334

DEPARTMENT OF THE INTERIOR

15.025	Services to Indian Children, Elderly and Families	\$ -	2,654
15.034	Agriculture on Indian Lands	-	-
	Fort Belknap Community Council A10AV00583	-	65,240
15.159	Cultural Resources Management	-	2,107
15.224	Cultural and Paleontological Resources Management	-	21,288
15.225	Recreation and Visitor Services	-	38,901
15.228	BLM Wildland Urban Interface Community Fire Assistance	-	5,044
15.231	Fish, Wildlife and Plant Conservation Resource Management	-	76,788
	University of Wyoming BLM WY UW WYNDD SSS Plants and Pollinators RM CESU	-	12,000
15.233	Forests and Woodlands Resource Management	-	103,237
15.236	Environmental Quality and Protection	-	1,746,798
15.247	Wildlife Resource Management	-	51,036
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	-	2,172,562
15.252	Abandoned Mine Land Reclamation (AMLR)	-	1,765,897
15.427	Federal Oil and Gas Royalty Management State and Tribal Coordination	-	494,278
15.514	Reclamation States Emergency Drought Relief	-	30,299

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
15.517	Fish and Wildlife Coordination Act	-	176,601
15.524	Recreation Resources Management	-	50,638
15.608	Fish and Wildlife Management Assistance	-	102,715
15.634	State Wildlife Grants	(3,218)	532,522
15.637	Migratory Bird Joint Ventures	12,980	20,679
15.657	Endangered Species Conservation - Recovery Implementation Funds	-	517,626
15.660	Endangered Species - Candidate Conservation Action Funds	-	49,514
15.664	Fish and Wildlife Coordination and Assistance	-	9,351
15.670	Adaptive Science	-	44,422
15.684	White-nose Syndrome National Response Implementation	-	49,998
15.904	Historic Preservation Fund Grants-In-Aid	218,615	1,056,830
15.916	Outdoor Recreation Acquisition, Development and Planning	407,173	1,925,517
15.929	Save America's Treasures	-	9,900
15.944	Natural Resource Stewardship	-	5,000
15.945	Cooperative Research and Training Programs - Resources of the National Park System	-	7,484
15.954	National Park Service Conservation, Protection, Outreach, and Education	-	11,065
	National Writing Project 16-MT03-NPS2021	-	4,711
15.959	Education Program Management	-	-
	Kha'p'o Community School A18AV00750	-	127
	Paschal Sherman Indian School	-	12,815
	Miscellaneous Non-Major Grants	-	60,241
15.UXX	Kearnes & West, Inc. 1800-1444-1	-	50,619
Unclustered Total		\$ 635,550	\$ 11,286,504

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
<i>Fish and Wildlife Cluster</i>			
15.605	Sport Fish Restoration	\$ -	\$ 8,319,704
15.611	Wildlife Restoration and Basic Hunter Education	283,565	19,286,962
15.626	Enhanced Hunter Education and Safety	-	7,853
	<i>Fish and Wildlife Cluster Total</i>	\$ 283,565	\$ 27,614,519
<i>DEPARTMENT OF THE INTERIOR TOTAL</i>			
		\$ 919,115	\$ 38,901,023
<i>DEPARTMENT OF THE TREASURY</i>			
21.019	COVID-19 Coronavirus Relief Fund Corporation for Public Broadcasting 115236	\$ (8,306,437)	\$ 11,398,227
21.023	COVID-19 Emergency Rental Assistance Program	(8,915,444)	24,740
21.026	COVID-19 Homeowner Assistance Fund	-	60,256,168
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds City-County of Butte-Silver Bow 2022-187 Gallatin County	25,590,480	546,772
		-	37,119,791
		-	18,250
		-	122,779
	<i>Unclustered Total</i>	\$ 8,368,599	\$ 109,486,727
<i>DEPARTMENT OF THE TREASURY TOTAL</i>			
		\$ 8,368,599	\$ 109,486,727
<i>DEPARTMENT OF TRANSPORTATION</i>			
20.106	COVID-19 Airport Improvement Program	\$ -	\$ 491,407
20.106	Airport Improvement Program	-	357,379
20.215	Highway Training and Education	-	150,000
20.232	Commercial Driver's License Program Implementation Grant	-	24,899
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	569,970	569,970
20.509	COVID-19 Formula Grants for Rural Areas	2,287,547	2,600,035
20.509	Formula Grants for Rural Areas	11,278,082	11,736,348
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	55,264	878,011

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	-	67,263
20.700	Pipeline Safety Program State Base Grant	-	173,356
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	139,192	150,107
20.725	PHMSA Pipeline Safety Underground Natural Gas Storage Grant	-	8,865
20.933	National Infrastructure Investments	-	-
	City of Kalispell UPN#2038/032 - 022NH15(32)	-	8,041,568
	Unclustered Total	\$ 14,330,055	\$ 25,249,208
Federal Transit Cluster			
20.526	COVID-19 Bus and Bus Facilities Formula Program	835,352	835,352
20.526	Bus and Bus Facilities Formula Program	1,587,679	1,587,679
	Missoula Urban Transportation CAPITAL CONTRACT #2101	-	1,416,250
	Federal Transit Cluster Total	\$ 2,423,031	\$ 3,839,281
FMCSA Cluster			
20.218	Motor Carrier Safety Assistance	-	3,114,787
	FMCSA Cluster Total	\$ -	\$ 3,114,787
Highway Planning and Construction Cluster			
20.205	COVID-19 Highway Planning and Construction	-	2,822,729
20.205	Highway Planning and Construction	2,191,378	424,418,165
20.219	Recreational Trails Program	1,612,204	1,773,344
20.224	Federal Lands Access Program	-	3,706,598
	Highway Planning and Construction Cluster Total	\$ 3,803,582	\$ 432,720,836
Highway Safety Cluster			
20.600	State and Community Highway Safety	357,573	1,470,601
20.616	National Priority Safety Programs	435,039	1,729,685
	Highway Safety Cluster Total	\$ 792,612	\$ 3,200,286

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to	Total Federal
		Subrecipients	Expenditures
<i>Transit Services Programs Cluster</i>			
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	\$ 60,784	\$ 66,656
<i>Transit Services Programs Cluster Total</i>		\$ 60,784	\$ 66,656
<i>DEPARTMENT OF TRANSPORTATION TOTAL</i>			
		\$ 21,410,064	\$ 468,191,054
<i>DEPARTMENT OF VETERANS AFFAIRS</i>			
64.015	COVID-19 Veterans State Nursing Home Care	\$ -	\$ 1,641,631
64.015	Veterans State Nursing Home Care	-	7,781,073
64.041	VHA Outpatient Specialty Care	-	180,692
64.124	All-Volunteer Force Educational Assistance	-	101,047
64.203	Veterans Cemetery Grants Program	-	87,976
<i>Unclustered Total</i>		\$ -	\$ 9,792,419
<i>DEPARTMENT OF VETERANS AFFAIRS TOTAL</i>			
		\$ -	\$ 9,792,419
<i>ELECTION ASSISTANCE COMMISSION</i>			
90.404	2018 HAVA Election Security Grants	\$ 399,291	\$ 1,196,964
<i>Unclustered Total</i>		\$ 399,291	\$ 1,196,964
<i>ELECTION ASSISTANCE COMMISSION TOTAL</i>		\$ 399,291	\$ 1,196,964
<i>ENVIRONMENTAL PROTECTION AGENCY</i>			
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	\$ -	\$ 400,824
66.040	State Clean Diesel Grant Program	-	39,204
66.204	Multipurpose Grants to States and Tribes	-	36,610
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	-	380,022

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State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
66.433	State Underground Water Source Protection	-	121,000
66.444	Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))	-	263,139
66.454	Water Quality Management Planning	-	113,232
66.460	Nonpoint Source Implementation Grants	-	2,381,808
66.461	Regional Wetland Program Development Grants	-	100,126
66.605	Performance Partnership Grants	-	6,043,426
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	-	90,390
66.708	Pollution Prevention Grants Program	-	285,225
66.717	Source Reduction Assistance	-	27,581
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	2,367,677
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	-	305,777
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	848,049
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	21,102
66.817	State and Tribal Response Program Grants	-	710,596
66.951	Environmental Education Grants	13,327	38,162
66.961	Superfund State and Indian Tribe Combined Cooperative Agreements (Site-Specific and Core)	-	145,340
	Unclustered Total	13,327	\$ 14,719,290
	Clean Water State Revolving Fund Cluster		
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ -	\$ 324,575,203
	Clean Water State Revolving Fund Cluster Total	\$ -	\$ 324,575,203
	Drinking Water State Revolving Fund Cluster		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	\$ -	\$ 189,412,433
	Drinking Water State Revolving Fund Cluster Total	\$ -	\$ 189,412,433
	ENVIRONMENTAL PROTECTION AGENCY TOTAL	\$ 13,327	\$ 528,706,926

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to	Total Federal
		Subrecipients	Expenditures
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964	\$ -	\$ 66,892
	<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 66,892</i>
	EQUAL EMPLOYMENT OPPORTUNITY COMMISSION TOTAL	\$ -	\$ 66,892
EXECUTIVE OFFICE OF THE PRESIDENT			
95.001	High Intensity Drug Trafficking Areas Program	\$ -	\$ 107,232
	<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 107,232</i>
	EXECUTIVE OFFICE OF THE PRESIDENT TOTAL	\$ -	\$ 107,232
FEDERAL COMMUNICATIONS COMMISSION			
32.004	Universal Service Fund - Schools and Libraries	\$ -	\$ 16,829
	<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 16,829</i>
	FEDERAL COMMUNICATIONS COMMISSION TOTAL	\$ -	\$ 16,829
FEDERAL FINANCIAL INSTITUTIONS			
38.006	State Appraiser Agency Support Grants	\$ -	\$ 7,355
	<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 7,355</i>
	FEDERAL FINANCIAL INSTITUTIONS TOTAL	\$ -	\$ 7,355

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

	Provided to Subrecipients	Total Federal Expenditures
GENERAL SERVICES ADMINISTRATION		
39.003 Donation of Federal Surplus Personal Property	\$ -	\$ 71,758
<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 71,758</i>
GENERAL SERVICES ADMINISTRATION TOTAL	\$ -	\$ 71,758
LIBRARY OF CONGRESS		
42.UXX Miscellaneous Non-Major Grants	\$ -	\$ 2,917
<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 2,917</i>
LIBRARY OF CONGRESS TOTAL	\$ -	\$ 2,917
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
43.001 Science	\$ -	\$ 221,337
43.008 Education	-	14,435
<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 235,772</i>
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL	\$ -	\$ 235,772
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION		
89.003 National Historical Publications and Records Grants	\$ -	\$ 7,210
<i>Unclustered Total</i>	<i>\$ -</i>	<i>\$ 7,210</i>
NATIONAL ARCHIVES AND RECORDS ADMINISTRATION TOTAL	\$ -	\$ 7,210

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES

		Provided to Subrecipients	Total Federal Expenditures
45.024	Promotion of the Arts Grants to Organizations and Individuals Arts Midwest 00029788	\$ 2,350	\$ 55,683
	Arts Midwest CASE # 00026553	-	25,000
45.025	COVID-19 Promotion of the Arts Partnership Agreements	-	11,320
45.025	Promotion of the Arts Partnership Agreements	388,807	388,807
45.129	Promotion of the Humanities Federal/State Partnership	502,141	892,841
	Humanities Montana 21C052	-	-
	Humanities Montana 21R020	-	7,072
	Humanities Montana 21R032	-	5,000
45.149	Promotion of the Humanities Division of Preservation and Access	-	1,000
45.160	Promotion of the Humanities Fellowships and Stipends	-	49,746
	Association of Tribal Archives ATALM - 74	-	-
45.161	COVID-19 Promotion of the Humanities Research	-	17,828
45.162	Promotion of the Humanities Teaching and Learning Resources and Curriculum Development	-	57,156
45.164	Promotion of the Humanities Public Programs	-	82,004
45.301	Museums for America	-	115,575
45.310	COVID-19 Grants to States	-	37,983
45.310	Grants to States	-	1,250,624
45.312	National Leadership Grants	-	1,242,546
	Association of Science-Technology Centers	-	162,924
	Texas A&M University M2201312	-	18,202
45.313	Laura Bush 21st Century Librarian Program	-	1,800
45.400	Peace Corps' Global Health and PEPFAR Initiative Program	-	59,581
		-	15,568
	Unclustered Total	\$ 893,298	\$ 4,498,260
	NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES TOTAL	\$ 893,298	\$ 4,498,260

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

		Provided to Subrecipients	Total Federal Expenditures
SMALL BUSINESS ADMINISTRATION			
59.037	COVID-19 Small Business Development Centers	\$ -	\$ 502,039
59.037	Small Business Development Centers MonTECH 2019-518	-	737,481
59.043	Women's Business Ownership Assistance MonTECH	-	24,834
59.058	Federal and State Technology Partnership Program	-	11,847
59.061	State Trade Expansion	-	65,103
59.075	Shuttered Venue Operators Grant Program	-	637,610
59.UXX	Miscellaneous Non-Major Grants Montana Bioscience Alliance 22-0208-P0001	-	23,872
		-	-
		-	26,149
		<u>\$ -</u>	<u>\$ 2,028,935</u>
		<u><i>Unclustered Total</i></u>	<u><i>Unclustered Total</i></u>
		<u>\$ -</u>	<u>\$ 2,028,935</u>
		<u><i>SMALL BUSINESS ADMINISTRATION TOTAL</i></u>	<u><i>SMALL BUSINESS ADMINISTRATION TOTAL</i></u>
		<u>\$ -</u>	<u>\$ 2,028,935</u>
SOCIAL SECURITY ADMINISTRATION			
96.008	Social Security - Work Incentives Planning and Assistance Program	\$ 89,477	\$ 177,275
		<u>89,477</u>	<u>177,275</u>
		<u><i>Unclustered Total</i></u>	<u><i>Unclustered Total</i></u>
		<u>\$ -</u>	<u>\$ 5,611,239</u>
		-	5,611,239
		<u>\$ -</u>	<u>\$ 5,611,239</u>
		<u><i>Disability Insurance/SSI Cluster Total</i></u>	<u><i>Disability Insurance/SSI Cluster Total</i></u>
		<u>\$ 89,477</u>	<u>\$ 5,788,514</u>
		<u><i>SOCIAL SECURITY ADMINISTRATION TOTAL</i></u>	<u><i>SOCIAL SECURITY ADMINISTRATION TOTAL</i></u>
		<u>\$ 89,477</u>	<u>\$ 5,788,514</u>

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

AGENCY FOR INTERNATIONAL DEVELOPMENT

		Provided to Subrecipients	Total Federal Expenditures
98.001	USAID Foreign Assistance for Programs Overseas Rutgers, The State University of New Jersey S19050: PO#1137707	\$ -	\$ -
		-	10,325
	Total	\$ -	\$ 10,325

AGENCY FOR INTERNATIONAL DEVELOPMENT TOTAL

		\$ -	\$ 10,325
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DEPARTMENT OF AGRICULTURE

Agricultural Marketing Service

10.174	Acer Access Development Program	13,599	\$ 26,260
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Agricultural Marketing Service Total

		\$ 13,599	\$ 26,260
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Agricultural Research Service

10.001	Agricultural Research Basic and Applied Research	-	\$ 1,048,072
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Agricultural Research Service Total

		\$ -	\$ 1,048,072
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Animal and Plant Health Inspection Service

10.025	Plant and Animal Disease, Pest Control, and Animal Care State of Iowa 21CRDWBTHARM,-0001	-	\$ 450,679
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Animal and Plant Health Inspection Service Total

		\$ -	\$ 584,195
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Economic Research Service

10.250	COVID-19 Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	-	\$ 34,651
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10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	-	3,169
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Economic Research Service Total

		\$ -	\$ 37,820
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Forest Service

10.652	Forestry Research Hydrosolutions MSA 2017-TO1	-	\$ 2,843,316
	Tall Timbers Research, Inc. UM-2021-046	-	(155)
	University of Idaho NN4574-677925	-	2,268

10.664	Cooperative Forestry Assistance	-	28,502
10.680	Forest Health Protection	-	59,917
10.682	National Forest Foundation	-	92,650
		-	35,665

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

<u>Research and Development Cluster</u>		Provided to Subrecipients	Total Federal Expenditures
10.684	International Forestry Programs	-	92,277
10.699	Partnership Agreements	-	63,534
	Swan Valley Connections 2021 HERRICK RUN NATIVE FISH	-	3,646
10.707	Research Joint Venture and Cost Reimbursable Agreements	-	284,544
	Forest Service Total	\$ -	\$ 3,506,164
Miscellaneous			
10.RD	Miscellaneous Research and Development	\$ -	\$ 145,430
	Nature Conservancy MTF0040722_MS	-	426
	Miscellaneous Total	\$ -	\$ 145,856
National Institute of Food and Agriculture			
10.200	Grants for Agricultural Research, Special Research Grants	\$ -	\$ -
	Mississippi State University 327054.11.12.FR20-5	-	6,470
	University of California, Davis A20-1347-S043	-	4,069
	University of Idaho AP4292-870300	-	8,642
	University of Idaho AP5081-870733	-	13,337
10.202	Cooperative Forestry Research	-	623,453
10.203	Payments to Agricultural Experiment Stations Under the Hatch Act	-	2,816,529
10.207	Animal Health and Disease Research	-	46,640
10.215	Sustainable Agriculture Research and Education	3,730,555	5,459,284
	Colorado State University G-07002-04	-	1,044
	South Dakota State University 3TC473	-	6,333
	Utah State University 201207-554	-	(17)
10.217	Higher Education - Institution Challenge Grants Program	115,726	130,961
	California Polytechnic State University, San Luis Obispo 2022-3-53734	-	4,186
10.226	Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	8,697	26,326
10.227	1994 Institutions Research Program	-	-
	Fort Peck Community College 2021-38424-34955-1	-	11,457
	Fort Peck Community College FPCC-092018-001	-	20,807
	Nueta Hidatsa Sahnish College	-	11,294

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
	Salish Kootenai College 1	-	9,251
	Salish Kootenai College MSU-01	-	31,769
	Salish Kootenai College UM-18-01	-	11,579
10.304	Homeland Security Agricultural	-	-
	Kansas State University A00-0280-S002-A03 (\$17045.03)	-	(1,321)
	Kansas State University A22-0145-S002	-	31,248
	Purdue University F008724402032	-	6,785
10.307	Organic Agriculture Research and Extension Initiative	142,726	521,754
	North Dakota State University #FAR0035171	-	435
	Utah State University 202524-663	-	34,608
10.309	Specialty Crop Research Initiative	362,670	700,607
	Colorado State University G-1363-04	-	816
	University of Idaho AN4829-846776	-	101,762
	University of Minnesota H007082503	-	7,602
10.310	Agriculture and Food Research Initiative (AFRI)	252,283	2,172,437
	Board of Regents - Nevada Higher Education GR12932	-	23,342
	Boise State University 10015-PO139386	-	15,912
	Kansas State University A21-0417-S002	-	26,073
	North Dakota State University FAR0033228	-	21,258
	Pennsylvania State University S002665-USDA	-	2,850
	Purdue University F9000315202080	-	17,876
	University of California, Davis 201603566-08	-	147,409
	University of California, Davis A22-1483-S011	-	11,203
	University of New Hampshire L0015	-	49,938
	University of North Carolina 201800006.1	-	183
10.312	Biomass Research and Development Initiative Competitive Grants Program (BRDI)	12,484	22,949
10.318	Women and Minorities in Science, Technology, Engineering, and Mathematics Fields	-	6,154

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

10.320	Sun Grant Program	-	-	-
	North Dakota State University FAR0035415	-	-	21,555
	North Dakota State University FAR0035420	-	-	13,636
10.329	Crop Protection and Pest Management Competitive Grants Program	-	-	355,974
10.330	Alfalfa and Forage Research Program	78,119	-	313,005
10.333	Urban, Indoor, and Other Emerging Agricultural Production Research, Education, and Extension Initiative	-	-	-
	Community Food & Agriculture Coalition	-	-	11,826
10.500	Cooperative Extension Service	-	-	3,554,343
10.525	Farm and Ranch Stress Assistance Network Competitive Grants Program	-	-	-
	Washington State University 139244 SPC002077	-	-	121,470
10.527	New Beginnings for Tribal Students	-	-	9,071

National Institute of Food and Agriculture Total \$ 4,703,260 \$ 17,566,174

Natural Resources Conservation Service

10.902	Soil and Water Conservation	\$ -	\$ -	177,822
	Pheasants Forever WLRW 2021-02	-	-	434,301
10.903	Soil Survey	-	-	788
10.912	Environmental Quality Incentives Program	-	-	20,807
	University of Illinois Urbana-Champaign 103926-18435	-	-	144,815

Natural Resources Conservation Service Total \$ - \$ 778,533

Rural Business Cooperative Service

10.350	Technical Assistance to Cooperatives	\$ -	\$ -	-
	National Association of Development Organizations	-	-	74,331
	National Association of Development Organizations #481 800.01	-	-	13,703
	National Association of Development Organizations 482.01	-	-	136,451
	National Association of Development Organizations 483.01	-	-	25,091
	National Association of Development Organizations 484.01	-	-	261

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
10.351	Rural Business Development Grant	-	-
	National Association of Development Organizations 488.01	-	4,187
	National Association of Development Organizations 489.01	-	29,256
10.890	Rural Development Cooperative Agreement Program	-	6,653
	<i>Rural Business Cooperative Service Total</i>	\$ -	\$ 289,933
	<i>DEPARTMENT OF AGRICULTURE TOTAL</i>	\$ 4,716,859	\$ 23,983,007
	<i>Economic Development Administration</i>		
11.020	Cluster Grants	\$ 11,050	\$ 182,000
	<i>Economic Development Administration Total</i>	\$ 11,050	\$ 182,000
	<i>National Institute of Standards and Technology</i>		
11.609	Measurement and Engineering Research and Standards	\$ 34,316	\$ 82,734
	<i>National Institute of Standards and Technology Total</i>	\$ 34,316	\$ 82,734
	<i>National Oceanic and Atmospheric Administration</i>		
11.431	Climate and Atmospheric Research	\$ -	\$ 326,817
	University Corporation for Atmospheric Research SUBAWD000858	-	104,936
	University Corporation for Atmospheric Research SUBAWD2174	-	103,344
11.438	Pacific Coast Salmon Recovery Pacific Salmon Treaty Program	-	-
	State of Alaska AKSSF-53005	-	4,437
11.459	Weather and Air Quality Research	-	64,216
	<i>National Oceanic and Atmospheric Administration Total</i>	\$ -	\$ 603,750
	<i>DEPARTMENT OF COMMERCE TOTAL</i>	\$ 45,366	\$ 868,484

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

DEPARTMENT OF DEFENSE

Advanced Research Projects Agency

12.910 Research and Technology Development
North Carolina State University 2016-2896-04

	Provided to Subrecipients	Total Federal Expenditures
\$ 1,247,659	\$	2,139,616
-	-	71,835
Advanced Research Projects Agency Total	\$ 1,247,659	\$ 2,211,451

Department of the Air Force

12.800 Air Force Defense Research Sciences Program
S2 Corporation
S2 Corporation #S2-1954-19-01A (3B)
S2 Corporation #S2-1954-19-01F (3A)

\$ 169,270	\$	22,396,914
-	-	285,747
-	-	491,892
-	-	664,407
Department of the Air Force Total	\$ 169,270	\$ 23,838,960

Department of the Army

12.005 Conservation and Rehabilitation of Natural Resources on Military Installations
12.114 Collaborative Research and Development
University of North Carolina 5123041
12.420 Military Medical Research and Development
Baylor College 7000001103
University of California, Davis A19-0382-S001-A02
University of Texas at Austin UTA20-000476
12.431 Basic Scientific Research
Civil-Military Innovation Institute Inc. 22-ARL-TRACA-PP-UMT-001
University of Maryland 109255-Z8471202
University of Maryland 92951-Z8310202

\$ 101,394	\$	99,893
-	-	18,685
-	-	69,416
16,610	-	300,018
-	-	32,671
-	-	77,553
-	-	30,249
237,333	-	6,637,480
-	-	261,126
-	-	234,114
-	-	1,844,287
Department of the Army Total	\$ 355,337	\$ 9,605,492

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

Department of the Navy

12.300 Basic and Applied Scientific Research
Global Strategic Solutions, LLC STTR N68335-21-C-0591
Pennsylvania State University S000044-ONR
Washington State University 140178 SPC003260

Department of the Navy Total **\$ 664,068** **\$ 5,182,984**

Miscellaneous

12.RD Miscellaneous Research and Development
Bravo 2 Whiskey, LLC
Charles River Analytics SC1812501
Duke University 313-0742
Duke University 313-0873
Johns Hopkins University 169061
Nutronics, Inc. SUBK-MSU-VDHWFS2-01-012720
Tufts University ARM212-MSU/ PO# EP0166321

Miscellaneous Total **\$ 509,113** **\$ 6,218,539**

Office of the Secretary of Defense

12.630 Basic, Applied, and Advanced Research in Science and Engineering
12.632 Legacy Resource Management Program

Office of the Secretary of Defense Total **\$ -** **\$ 443,124**

DEPARTMENT OF DEFENSE TOTAL **\$ 2,945,447** **\$ 47,500,550**

DEPARTMENT OF EDUCATION

Institute of Education Sciences

84.305 Education Research, Development and Dissemination
University of Missouri C00064217-1

Institute of Education Sciences Total **\$ -** **\$ 172,423**

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

Office of Elementary and Secondary Education

84.356A	Alaska Native Education Equity Learning Point Alaska S356A210002	\$ -	- \$	-	
84.365C	Native American and Alaska Native Children in School Learning Point Alaska T365C210008		-	-	22,547
					16,566
	<i>Office of Elementary and Secondary Education Total</i>	\$ -	-	\$	39,113

Office of Innovation and Improvement

84.336	Teacher Quality Partnership Grants	\$ -	-	\$	583,361
	<i>Office of Innovation and Improvement Total</i>	\$ -	-	\$	583,361

Office of Postsecondary Education

84.217	TRIO McNair Post-Baccalaureate Achievement	\$ -	-	\$	257,109
	<i>Office of Postsecondary Education Total</i>	\$ -	-	\$	257,109

DEPARTMENT OF EDUCATION TOTAL

		\$ -	-	\$	1,052,006
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DEPARTMENT OF ENERGY

81.049	Office of Science Financial Assistance Program Impossible Sensing, LLC	\$	303,770	\$	3,621,005
	Washington State University 132345 SPC001690		-		68,843
	Washington State University 134124-G003968		-		252,281
	Yale University GR104542 (CON-80001480)		-		14,483
81.086	Conservation Research and Development		289,987		184,235
	North Dakota State University FAR0034253				3,146,203
81.087	Renewable Energy Research and Development		128,648		680
	Bridger Photonics				688,201
	Carbon Solutions, LLC		-		48,203
	Clemson University 2107-219-2023054		-		33,406
	Impossible Sensing ,LLC		-		50,131
	Michigan State University RC107739		-		3,275
	University of Toledo F-2019-14		-		14,714
			-		333,821

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

81.089	Fossil Energy Research and Development	-	-	-
	New Mexico Institute of Mining P0019650	-	-	92,812
	University of North Dakota DE-FE0032030	-	-	5,173
	University of Wyoming 1005212-MTU	-	-	15,571
81.121	Nuclear Energy Research, Development and Demonstration	-	-	105,206
Total		\$ 722,405	\$ 8,678,243	

Miscellaneous

81.RD	Miscellaneous Research and Development	\$ -	\$ -	-
	Leidos P010259575	-	-	71,271
	Los Alamos National Security, LLC 20268	-	-	20,708
	Pacific Northwest National Laboratory 564332	-	-	26,225
	RSI EnTech, LLC LMS7514	-	-	4,991
	RSI EnTech, LLC LMS7547	-	-	1,609
	Sandia National Laboratories 2151826	-	-	(19)
	Sandia National Laboratories 2183707	-	-	71,340
	Sandia National Laboratories 2271165	-	-	19,341
	Sandia National Laboratories PO 1877920	-	-	3,172
Miscellaneous Total		\$ -	\$ 218,638	

DEPARTMENT OF ENERGY TOTAL \$ 722,405 \$ 8,896,881

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Administration for Children and Families

93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	\$ -	\$ -	-
	Planned Parenthood Minnesota	-	-	18,939
93.670	Child Abuse and Neglect Discretionary Activities	-	-	-
	Futures Without Violence 3075	-	-	16,726
Administration for Children and Families Total		\$ -	\$ 35,665	

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

Administration for Community Living

93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	\$	62,819	\$	786,682
	The Institute for Rehabilitation and Research		-		17,726
	The Institute for Rehabilitation and Research		-		5,873
	University of Kansas		57,647		97,701
	University of Kansas		25,051		56,212
93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service		-		471,677
<i>Administration for Community Living Total</i>		\$	145,517	\$	1,435,871

Centers for Disease Control and Prevention

93.136	Injury Prevention and Control Research and State and Community Based Programs	\$	144,555	\$	339,644
93.262	Occupational Safety and Health Program		-		29,302
	Utah State University		-		45,248
93.317	Emerging Infections Programs		-		14,808
<i>Centers for Disease Control and Prevention Total</i>		\$	144,555	\$	429,002

Food and Drug Administration

93.103	Food and Drug Administration Research	\$	-	\$	123,688
<i>Food and Drug Administration Total</i>		\$	-	\$	123,688

Health Resources and Services Administration

93.107	Area Health Education Centers	\$	476,357	\$	758,674
93.110	Maternal and Child Health Federal Consolidated Programs		-		-
	American College of Obstetricians and Gynecologists		-		16,328
93.247	Advanced Nursing Education Workforce Grant Program		-		807,981
93.301	Small Rural Hospital Improvement Grant Program		495,020		569,273
93.359	Nurse Education, Practice Quality and Retention Grants		126,250		747,998
93.732	Mental and Behavioral Health Education and Training Grants		-		61,901
93.913	Grants to States for Operation of State Offices of Rural Health		-		(573)
93.969	PPHF Geriatric Education Centers		138,174		605,924
<i>Health Resources and Services Administration Total</i>		\$	1,235,801	\$	3,567,506

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

Miscellaneous

93.RD	Miscellaneous Research and Development	\$	5,450,761	\$	9,240,278
	Boston Children's Hospital GENFD0001583403		-		(64,196)
	Boston Children's Hospital GENFD0002049784		-		785,739
	Duke University 7273 POPS V		-		2,157
	ICF International 19BCSK0080 (HHSN261201400002B)		-		69,226
	ICF International HHSN26120170003B, 75N91020F000		-		118,825
			5,450,761		10,152,029

Miscellaneous Total

National Institutes of Health

93.113	Environmental Health	\$	-	\$	686,104
	Michigan State University RC107307MON		-		51,803
	University of New Mexico 3RY74		-		(652)
	University of Rochester 417656G/UR FAO GR510992		-		140,316
	University of Rochester ROAES030940-01		-		112,516
93.121	Oral Diseases and Disorders Research		-		145,748
93.143	NIEHS Superfund Hazardous Substances_Basic Research and Education		-		-
	University of Utah 10058542-01-MTU		-		6,663
93.172	Human Genome Research		-		-
	Institute for Systems Biology 2018.0008		-		72,399
	Southcentral Foundation 2018-201		-		99,065
	University of Colorado FY21.1078.001		-		97,301
93.173	Research Related to Deafness and Communication Disorders		-		11,150
	Massachusetts General Hospital 300315		-		181,155
	Promilad Biopharma, Inc. 2R42DC017641-02A1		-		235,516
93.233	National Center on Sleep Disorders Research		-		137,773
93.242	Mental Health Research Grants		-		123,583
93.273	Alcohol Research Programs		52,260		244,735
93.279	Drug Abuse and Addiction Research Programs		26,953		198,340
93.286	COVID-19 Discovery and Applied Research for Technological Innovations to Improve Human Health		-		441,160

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	387,408	1,190,800
93.307	Minority Health and Health Disparities Research	386,778	783,900
	University of New Mexico 3RJN7	-	25,123
	University of New Mexico 3RJN7 - P50MD015706	-	671
	University of New Mexico 3RJN7 / P50MD015706	-	50,400
	University of New Mexico 3RJN7 / PO	-	1,844
93.310	COVID-19 Trans-NIH Research Support	439,256	620,901
93.310	Trans-NIH Research Support	-	506,671
	American Association on Health and Disability	-	6,566
	University of Arkansas 54005 G223807843	-	62,456
	University of Arkansas 54005/G229201034	-	9,261
	University of Arkansas 54005/G229201036	-	27,481
	University of Arkansas 54005-VDORA	-	37,452
	University of Arkansas 54005-VDORA/G229201020	-	13,589
93.350	National Center for Advancing Translational Sciences	-	27,800
	University of Washington UWSC13447	-	3,364
	University of Washington UWSC13595	-	14,232
	University of Washington UWSC13596	-	5,424
	University of Washington UWSC9979/BPO26008	-	37,094
93.351	Research Infrastructure Programs	-	-
	Dermaxon 1R41RT003929	-	100,528
93.361	Nursing Research	-	-
	University of Florida UFDSP00012150	-	111,966
93.393	Cancer Cause and Prevention Research	-	346,718
93.397	Cancer Centers Support Grants	-	-
	University of Utah 10053843-06-UM/POU000030971	-	394
93.838	Lung Diseases Research	-	22,052
93.846	Arthritis, Musculoskeletal and Skin Diseases Research	9,432	432,478

The accompanying notes are an integral part of this schedule.

Research and Development Cluster

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

			Provided to Subrecipients	Total Federal Expenditures
	Rutgers, The State University of New Jersey	PO# 663268/ SUBAWARD #0222	-	92,922
	University of Hawaii	Z10236376	-	2,511
	University of Nevada, Las Vegas	GR11257 / MSU-08-01-BERD	-	47,171
	University of Nevada, Las Vegas	GR11257 / MSU-08-02-CEO	-	17,487
	University of Nevada, Las Vegas	GR11257 / MSU-08-04-PG-PEW	-	27,859
	University of Nevada, Las Vegas	GR11265	-	30,921
	University of Nevada, Las Vegas	GR11265-BERD	-	47,917
	University of Nevada, Las Vegas	GR11265-CEO	-	76,296
	University of Nevada, Las Vegas	GR11265-CP3	-	111,807
	University of Nevada, Las Vegas	GR11265-PG-CHO	-	26,222
	University of New Mexico	3REV9	-	13,331
	University of Utah	10047369-S2	-	41,149
	University of Utah	PO U000148335 / 10047369-S2	-	77,158
	University of Washington	UWSC9319	-	57,962
	Virtici, LLC	GM130166	-	18,319
93.865	Child Health and Human Development Extramural Research		86,730	790,073
	University of Arkansas	#54005 PO#G229201003	-	17,828
	University of Arkansas	PO#G221201020	-	13,953
	University of Virginia	GB10953.PO# 2366464	-	60,186
93.866	Aging Research		-	200,696
	University of Maryland	1R01AG069915-01	-	15,546
	University of Washington	UWSC10030/BPO26347	-	91,594
93.867	Vision Research		38,509	157,089
	University of California, Berkely	SUBAWARD NO. 00010266	-	42,197

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
93.879	Medical Library Assistance	-	-
	Baylor College PO70000001389	-	37,688
	Baylor College of Medicine 7000000701	-	(1,929)
	National Network of Libraries	-	(34)
	University of Utah PO# U000345336	-	44,607
	National Institutes of Health Total	\$ 5,170,114	\$ 34,812,675
	Substance Abuse and Mental Health Services Administration		
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	\$ -	-
	Browning Schools 2586-001	-	32,945
93.276	Drug-Free Communities Support Program Grants	-	-
	Washakie County	-	21,140
	Substance Abuse and Mental Health Services Administration Total	\$ -	\$ 54,085
	DEPARTMENT OF HEALTH AND HUMAN SERVICES TOTAL	\$ 12,146,748	\$ 50,610,521
	Miscellaneous		
97.RD	Miscellaneous Non-Major Grants	\$ -	\$ 3,917,286
	Miscellaneous Total	\$ -	\$ 3,917,286
	DEPARTMENT OF HOMELAND SECURITY TOTAL	\$ -	\$ 3,917,286
	DEPARTMENT OF JUSTICE		
	Miscellaneous		
16.RD	Miscellaneous Research and Development	\$ -	\$ 39,451
	Miscellaneous Total	\$ -	\$ 39,451

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

Office of Justice Programs

16.560	National Institute of Justice Research, Evaluation, and Development Project Grants George Mason University E2054611	\$ -	-	\$ 54,760
			-	87,988
	<i>Office of Justice Programs Total</i>	<i>\$</i>	<i>-</i>	<i>\$ 142,748</i>

DEPARTMENT OF JUSTICE TOTAL *\$ -* *\$ 182,199*

DEPARTMENT OF STATE

Bureau of Educational and Cultural Affairs

19.408	Academic Exchange Programs - Teachers International Research & Exchanges Board FY20-FTEA-MSU-01	\$ -	-	\$ -
			-	11,176
	<i>Bureau of Educational and Cultural Affairs Total</i>	<i>\$</i>	<i>-</i>	<i>\$ 11,176</i>

DEPARTMENT OF STATE TOTAL *\$ -* *\$ 11,176*

DEPARTMENT OF THE INTERIOR

Bureau of Land Management

15.224	Cultural and Paleontological Resources Management	\$ -	-	\$ 104,338
15.230	Invasive and Noxious Plant Management		-	208,139
15.231	Fish, Wildlife and Plant Conservation Resource Management		-	130,940
15.232	Wildland Fire Research and Studies		-	16,285
15.236	Environmental Quality and Protection		-	22,814
15.247	Wildlife Resource Management		-	516,853
15.248	National Landscape Conservation System		-	24,821
	<i>Bureau of Land Management Total</i>	<i>\$</i>	<i>-</i>	<i>\$ 1,024,190</i>

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

Miscellaneous

		Provided to Subrecipients	Total Federal Expenditures
15.RD	Miscellaneous Research and Development	\$ 567,215	\$ 1,569,541
	Colorado State University G-63747-01	-	151,533
	Oregon State University L0212A-A	-	183,348
	Oregon State University L02226A-A	-	77,690
	Oregon State University L02312A-A	-	48,346
	Oregon State University L0233A-A	-	818,966
	Oregon State University L0246A-A	-	120,937
	Oregon State University L0248A-A	-	55,713
	Otak, Inc. 33172.020	-	2,786
	Otak, Inc. 33172.025	-	30,958
	Otak, Inc. 33172.028	-	2,343
	PG Environmental, LLC 50002.006 TO 4	-	75,624
	PG Environmental, LLC 50002/001	-	13,963
	PG Environmental, LLC 50002/001 140L0620F0455	-	108,350
	PG Environmental, LLC BLM 50002/001 TO 6	-	69,997
	PG Environmental, LLC BLM 50002/001 TO 7	-	98,655
	Portland State University 100130	-	(200)
	Portland State University 100180	-	216,704
	Portland State University 100182	-	276,068
	Portland State University 100208	-	204,328
	Portland State University 100209	-	35,999
	RRC Associates 33172.002	-	57,091
	RRC Associates 33172.005	-	77,595
	RRC Associates 33172.008	-	975
	RRC Associates 33172-015	-	23,864
	RRC Associates 33172-034	-	8,244
Miscellaneous Total		\$ 567,215	\$ 4,329,418

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

National Park Service

15.915	Technical Preservation Services	\$	-	\$	181
15.945	Cooperative Research and Training Programs - Resources of the National Park System University of California, Santa Cruz A20-0484-S001		-		945,606
	University of Wyoming NPS Research Center 1005065-MSU-KRAGH		-		(2,481)
	University of Wyoming NPS Research Station 1005065-MSU-KOSER/P362187		-		4,532
15.954	National Park Service Conservation, Protection, Outreach, and Education		-		4,997
			-		116,093
	<i>National Park Service Total</i>	\$	-	\$	1,068,928

U.S. Fish and Wildlife Service

15.605	Sport Fish Restoration	\$	-	\$	-
	Wyoming Game and Fish Department 002822		-		47,218
15.608	Fish and Wildlife Management Assistance		-		95,671
15.611	Wildlife Restoration and Basic Hunter Education		-		1,492,740
	Colorado Parks and Wildlife 220-IGA-142182		-		9,654
	Idaho Fish and Game		-		109,951
	Idaho Fish and Game IDFG-FY20-509 / 2021-038		-		649
	Idaho Fish and Game IDFG-MA-20151029		-		2,185
	Missouri Department of Conservation 369-B		-		69,909
	Missouri Department of Conservation 377-B		-		248,329
	Missouri Department of Conservation CA-472		55,871		101,544
	North Dakota Game and Fish Department		-		2,978
	North Dakota Game and Fish Department W-68-R-3		-		9,549
	State of Nevada SG22-03		-		176,517
	State of South Dakota 19CS06W008		-		19,935
	State of South Dakota 19CS06W012		-		42,808
15.615	Cooperative Endangered Species Conservation Fund		-		-
	Washington State Department of Natural Resources 93-099848		-		11,099
15.628	Multistate Conservation Grant		-		-
	Council to Advance Hunting and the Shooting Sports FP CONTRACT 22-0578		24,200		37,967

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
15.634	State Wildlife Grants	-	-
	Alaska Department of Fish and Game 19-145	-	35,252
	Commonwealth of Virginia 2STP 96-6	-	24,460
	Texas Parks & Wildlife Department CA-0002647	-	22,754
	Wyoming Game and Fish Department 003033	-	32,001
15.637	Migratory Bird Joint Ventures	-	147,135
15.650	Research Grants (Generic)	-	3,709
15.654	National Wildlife Refuge System Enhancements	-	26,528
15.655	Migratory Bird Monitoring, Assessment and Conservation	-	114,509
15.657	Endangered Species Conservation - Recovery Implementation Funds	-	456,005
	South Dakota Department of Game, Fish, and Parks 19-0600-048-01	-	131,979
	University of California, Santa Cruz A21-0829-S001	-	46,977
15.660	Endangered Species - Candidate Conservation Action Funds	-	30,982
15.662	Great Lakes Restoration	3,619	34,246
15.664	Fish and Wildlife Coordination and Assistance	-	117,871
15.665	National Wetlands Inventory	-	(3,847)
15.670	Adaptive Science	-	23,129
	Climate Conservation CONTRACT SIGNED 5/12/22	-	746
15.678	Cooperative Ecosystem Studies Units	-	851,144
U.S. Fish and Wildlife Service Total			\$ 83,690
U.S. Geological Survey			\$ 4,574,283
15.805	Assistance to State Water Resources Research Institutes	-	115,378
15.808	COVID-19 U.S. Geological Survey Research and Data Collection	-	21,482
15.808	U.S. Geological Survey Research and Data Collection	-	327,724
15.810	National Cooperative Geologic Mapping	-	462,407
15.812	Cooperative Research Units	-	523,074
15.814	National Geological and Geophysical Data Preservation	-	71,761
15.815	National Land Remote Sensing Education Outreach and Research	-	-
	America View, Inc. AV18-MT-01	-	16,919

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
15.820	National and Regional Climate Adaptation Science Centers	-	-
	University of Colorado 1559603	-	19,516
	University of Colorado Boulder 1559947 PO 1001445221	-	83,872
	University of Colorado Boulder PO 1001362655/1559255	-	6,991
	University of Colorado Boulder PRJCT1559852/PO1001410250	-	40,604
	University of Washington UWSC10097 BPO 58427 GRAY	-	34,696
	University of Washington UWSC10097 BPO49075	-	(516)
	University of Washington UWSC10097 BPO49076	-	14,500
	University of Washington UWSC10097BPO58425	-	15,064
15.980	National Ground-Water Monitoring Network	-	88,376
15.981	Water Use and Data Research	-	42,740
	U.S. Geological Survey Total	\$ -	\$ 1,884,588

DEPARTMENT OF THE INTERIOR TOTAL \$ 650,905 \$ 12,881,407

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

20.109	Air Transportation Centers of Excellence	\$ -	\$ 38,611
	Federal Aviation Administration Total	\$ -	\$ 38,611

Federal Highway Administration

20.200	Highway Research and Development Program	\$ 79,711	\$ 363,661
	Cadmus Group 4652FHWA-MTI-1	-	4,601
	California Department of Transportation 65A0770	-	56,158
	California Department of Transportation 65A0772	-	43,446
	Minnesota Department of Transportation 1003322 WORK ORDER NO. 5	-	13,479
	Minnesota Department of Transportation 1044527	24,301	70,839
	Minnesota Department of Transportation 1047786	-	15,498
	Minnesota Department of Transportation 1048127	-	9,802
	Nevada Department of Transportation P701-18-803 TASK 01	-	105,131
	Nevada Department of Transportation P701-18-803 TASK 02	-	13,622

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
	Nevada Department of Transportation P701-18-803 TASK 03	-	27,424
	Nevada Department of Transportation P701-18-803 TASK 04	-	342
	Nevada Department of Transportation P701-18-803 TASK 05	45,031	54,263
	Nevada Department of Transportation P701-18-803 TASK 06	-	42,380
	Nevada Department of Transportation P701-18-803 TASK 07	-	69,001
	South Dakota Department of Transportation 311280 SD2016-03	-	31
	Transportation Research Board HR 20-122 SUB0001256	-	7
	Washington State Department of Transportation T6737 TASK 14	-	94,740
20.205	Highway Planning and Construction	2,900	1,369,988
	Iowa Department of Transportation TPF-5(290)	-	16
	Iowa Department of Transportation TPF-5(435)	-	26,099
	Kentucky Transportation Cabinet SC 625-2100000531	-	6,021
	State of Wyoming RS06219	-	26,905
	Vermont Agency of Transportation GR1477	-	186
20.215	Highway Training and Education	-	67,842
	Battelle Memorial Institute US001-0000804612	-	4,547
	Battelle Memorial Institute US001-0000804612 LINE 1	-	3,047
	Battelle Memorial Institute US001-0000806715	-	11,829
Federal Highway Administration Total		\$ 151,943	\$ 2,500,905
<i>National Highway Traffic Safety Administration</i>			
20.600	State and Community Highway Safety	-	-
	National Academies of Science BTS-15 UNIT 913 SUB0001557	8,492	103,931
	Washington Traffic Safety Commission 2022-AG-4547	-	99,342
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	-	7,313

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
20.616	National Priority Safety Programs	-	-
	Washington Traffic Safety Commission 20-VENDOR CONTRACT-4004 VC4196	-	24,182
	Washington Traffic Safety Commission FY21-#4350 2022-SUBGRANTS-4504	-	55,881
	Washington Traffic Safety Commission PROJECT # 2021-SUB-GRANTS-4353	-	10,883
	National Highway Traffic Safety Administration Total	\$ 8,492	\$ 301,532
	Office of the Secretary		
20.701	University Transportation Centers Program	\$ 1,042,130	\$ 1,981,732
	Office of the Secretary Total	\$ 1,042,130	\$ 1,981,732
	DEPARTMENT OF TRANSPORTATION TOTAL	\$ 1,202,565	\$ 4,822,780
	VA Health Administration Center		
64.054	Research and Development	\$ -	\$ 822,564
	VA Health Administration Center Total	\$ -	\$ 822,564
	DEPARTMENT OF VETERANS AFFAIRS TOTAL	\$ -	\$ 822,564
	ENVIRONMENTAL PROTECTION AGENCY		
66.202	Congressionally Mandated Projects	\$ -	-
	Idaho Department of Environmental Quality S574	-	17,144
	Idaho Department of Environmental Quality S613	-	24,451
66.454	Water Quality Management Planning	-	-
	Clark Fork Coalition 363428665	-	13,148
66.461	Regional Wetland Program Development Grants	-	167,283
66.466	Chesapeake Bay Program	-	-
	National Fish and Wildlife Foundation 0602.18.062653	-	264,999
66.509	Science To Achieve Results (STAR) Research Program	-	-
	University of New Mexico 3RAW5 / 83615701	-	1
66.516	P3 Award: National Student Design Competition for Sustainability	-	15,665
66.716	Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	-	21,736

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	-
	Dine' College 1819-16-513	-	20,165
66.808	Solid Waste Management Assistance Grants	-	107,899
66.962	Columbia River Basin Restoration (CRBR) Program	8,000	64,241
	Total \$	8,000	\$ 716,732

ENVIRONMENTAL PROTECTION AGENCY TOTAL \$ 8,000 \$ 716,732

FEDERAL COMMUNICATIONS COMMISSION

32.006	COVID-19 Telehealth Program	\$ -	\$ 248,776
	Total \$	-	\$ 248,776

FEDERAL COMMUNICATIONS COMMISSION TOTAL \$ - \$ 248,776

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

43.001	Science	\$ 812,365	\$ 4,931,908
	Association of Universities for Research	-	22,304
	Astrophysical Research Consort SSP538	-	91,213
	Bowling Green State University 10010205-UMT	-	52,411
	California Institute of Technology 1649019	-	39,456
	Central Washington University 22248100YR1	-	51,030
	Dartmouth College R1060	-	343,799
	Dartmouth College R1148	-	8,488
	Georgia Institute of Technology AWD-000545-G1	-	61,308
	Johns Hopkins University 174558	-	3,177
	Lockheed Martin Corporation 8100002702	-	349,801
	Predictive Science, Inc.	-	38,849
	Princeton University SUB00000396	-	19,616
	Resilient Computing, LLC	-	1,062
	Resonon Inc	-	28,081
	Smithsonian Astrophysical Observatory G02-23076X	-	881

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

		Provided to Subrecipients	Total Federal Expenditures
	Smithsonian Astrophysical Observatory G09-20094X	-	10,351
	Smithsonian Astrophysical Observatory SV0-09023	-	16,133
	Smithsonian Astrophysical Observatory SV9-89001	-	161,689
	Southwest Research Institute K99081KJ	-	241
	Space Telescope Science Institute HST-GO-15607.001.A	-	34,956
	Stone Aerospace/PSC, Inc.	-	13,956
	Stottler Henke Associates, Inc. DIS-MAESTRO2 MSU	-	150,702
	Sustainable Bioproducts	-	100,074
	University Corporation For Atmospheric Research SUBAWD002878	-	29,033
	University of Colorado Denver PO1001469105/1560348	-	31,890
	University of Maryland 104698-26398202	-	15,454
	University of Maryland 3TB432	-	90,826
	University of Massachusetts 20-010961 A	-	168,474
	University of Minnesota A007438701	-	30,754
	University of Texas at Dallas 2109011	-	5,419
	University of Washington UWSC12794 BPO 56293	-	90,727
	University of Washington UWSC8879/BPA13182	-	(59)
	University of Washington UWSC8879/BPO13182	-	(97)
43.008	Education	269,050	1,880,741
	Lockheed Martin Corporation PO 4104859852	-	16,955
	Space Telescope Science Institute HST-GO-16661.001-A	-	8,838
	Stottler Henke Associates, Inc.	-	19,633
43.009	Cross Agency Support	-	11,629
43.012	Space Technology	88,561	416,893
		Total \$ 1,169,976	\$ 9,348,596

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

Miscellaneous

43.RD Miscellaneous Research and Development
California Institute of Technology 1422120

\$	-	\$	-
Miscellaneous Total		\$	160,270

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION TOTAL

\$	1,169,976	\$	9,508,866
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NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES

45.129 Promotion of the Humanities Federal/State Partnership
Humanities Montana 20R039

\$	-	\$	-
Total		\$	259

Institute of Museum and Library Services

45.313 Laura Bush 21st Century Librarian Program
Drexel University 950022-P / PO: U0241139

\$	-	\$	184,258
Institute of Museum and Library Services Total		\$	15,610

NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES TOTAL

\$	-	\$	200,127
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NATIONAL SCIENCE FOUNDATION

47.041 Engineering Grants
University of Michigan SUBK00011355
University of Washington UWSC13225 / PO# BPO60527
47.049 Mathematical and Physical Sciences
Brigham Young University OXY-CURM0063
Occidental College OXY-CURM0052
Oregon State University 52270B-1
University Wisconsin-Milwaukee 2034045458 (1534055370)

\$	13,481	\$	2,647,162
		-	73,799
		-	88,487
		514,136	3,242,661
		-	238
		-	4,542
		-	18,510
		-	49,257

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

			Provided to Subrecipients	Total Federal Expenditures
47.050	Geosciences		175,930	2,690,592
	Columbia University		-	14,987
	University of Colorado	1555338-PO 1000856931	-	40,820
	University of Colorado Denver	1555337/PO#1000855308	-	50,698
	University of Hawaii	MA1588	-	7,637
	University of Hawaii at Manoa	MA 1391	-	31,762
47.070	Computer and Information Science and Engineering		2,071	609,489
47.074	Biological Sciences		341,761	6,245,265
	Cary Institute of Ecosystem Studies	3340-200201873	-	23,880
	Wellesley College	Award #2135851	-	77,886
47.075	Social, Behavioral, and Economic Sciences		192,971	406,153
47.076	COVID-19 Education and Human Resources		3,099	19,119
47.076	Education and Human Resources		127,670	2,600,079
	Aaniih Nakoda College	MSU-3753	-	46,742
	Chief Dull Knife College		-	3,151
	Colorado State University	96702-5	-	742
	Concord Consortium	354.21.03	-	22,421
	Mathematical Association of America	MAA 3-8-710-891	-	5,175
	Michigan State University	RC104101MONTANA	-	5,351
	Salish Kootenai College	HRD 1826637	-	34,093
	Salish Kootenai College	HRD1826637	-	2,985
	Salish Kootenai College	SKC-19-UOM-003	-	600
	University of California, Berkeley	00010785	-	11,302
	Utah State University	NTAE-2021-2134	-	4,543
	Washington State University	131202-SPC001720	-	19,101
	Washington State University	140262-SPC003495	-	7,150
47.078	Polar Programs		97,040	488,791
47.079	Office of International Science and Engineering		-	185,833

The accompanying notes are an integral part of this schedule.

State of Montana
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Research and Development Cluster

47.083	Office of Integrative Activities North Carolina State University 2019-3154-01 South Dakota School of Mines SDSMT-MSU 18-04 South Dakota School of Mines SDSMT-MSU-20-10 University of Alaska University of Nebraska 25-6222-0984-050 University of Wyoming 1004809-UM	867,443 - - - - 11,128 -	4,340,679 58,384 163,770 245,347 1,686 336,768 125,478
Total \$		2,346,730	\$ 25,053,115

NATIONAL SCIENCE FOUNDATION TOTAL \$ 2,346,730 \$ 25,053,115

SMALL BUSINESS ADMINISTRATION

59.058	Federal and State Technology Partnership Program	\$ -	\$ 60,677
Total \$		-	\$ 60,677

SMALL BUSINESS ADMINISTRATION TOTAL \$ - \$ 60,677

SOCIAL SECURITY ADMINISTRATION

96.007	Social Security Research and Demonstration University of Wisconsin-Madison 0000000670 University of Wisconsin-Madison 0000001149 University of Wisconsin-Madison 0000001443	\$ - - - -	- 20 37,983 26,952
Total \$		-	\$ 64,955

SOCIAL SECURITY ADMINISTRATION TOTAL \$ - \$ 64,955

RESEARCH AND DEVELOPMENT CLUSTER TOTAL \$ 25,955,001 \$ 191,412,434

EXPENDITURES OF FEDERAL AWARDS TOTAL \$ 636,443,237 \$ 5,072,339,898

The accompanying notes are an integral part of this schedule.

STATE OF MONTANA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the state of Montana under programs of the federal government for the fiscal year ended June 30, 2022. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (referred to as the "Uniform Guidance").

Because this schedule presents only a selected portion of the operations of the state of Montana, it is not intended to, and does not present, the financial positions, change in net assets, or, where applicable, its cash flows for the fiscal year ended June 30, 2022.

Significant Accounting Policies

Expenditures shown on the Schedule of Expenditures of Federal Awards are reported on the modified accrual basis of accounting, except as noted below. Under the modified accrual basis of accounting, expenditures are generally recorded in the accounting period in which the liability is incurred. However, there are some payments, such as compensated absences, that are only recorded when the payment is due.

Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Montana University System uses full accrual accounting to report federal expenditure activity, such as the Student Financial Assistance, Education and Stabilization Funds, and Research and Development programs. Certain other programs of the state, such as the Unemployment Insurance, Section 8 Voucher, Section 8 Project-Based programs, also use the full accrual basis of accounting. Under the full accrual basis of accounting, expenditures are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Loan and Loan Guarantee Programs (Note 2), Federal Excess Personal Property (Note 7), and the Department of Defense Firefighting Property (Note 8) are presented using the basis of accounting described in each note.

The state of Montana did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Coronavirus Relief Programs

The state of Montana expended \$772,058,084 under the various Coronavirus relief programs in fiscal year 2022. These programs are indicated by a "COVID-19" reference in front of the federal program name on the fiscal year 2022 Schedule of Expenditures of Federal Awards.

During the emergency period of COVID-19 pandemic and as allowed under OMB Memorandum M-20-20 (April 9, 2020), federal agencies and recipients could donate PPE purchased with federal assistance funds to various entities for the COVID-19 response. In this respect, the state received \$1,252,936 in supplies and equipment under ALN 97.036, Disaster Grants - Public Assistance (Presidentially Declared Disasters) which is not shown on the Schedule of Expenditures of Federal Awards.

A summary of the federal programs that expending COVID-19 Funding is shown below:

ALN	Coronavirus Relief Programs	FY 2022 Expenditures
10.229	Extension Collaborative on Immunization Teaching & Engagement	\$20,151
10.250	Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	34,651
10.542	Pandemic EBT Food Benefits	30,310,983
10.553	School Breakfast Program	19,285,554
10.555	National School Lunch Program	67,910,738
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	641,942
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	944,995
10.567	Food Distribution Program on Indian Reservations	127,984
10.568	Emergency Food Assistance Program (Administrative Costs)	53,578
10.649	Pandemic EBT Administrative Costs	962
11.307	Economic Adjustment Assistance	61,520
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	1,341,254
14.231	Emergency Solutions Grant Program	5,109,554
14.241	Housing Opportunities for Persons with AIDS	117,387
14.871	Section 8 Housing Choice Vouchers	667,777
15.808	U.S. Geological Survey Research and Data Collection	21,482
16.034	Coronavirus Emergency Supplemental Funding Program	995,640
17.225	Unemployment Insurance	19,330,551
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	247,292
20.106	Airport Improvement Program	491,407
20.205	Highway Planning and Construction	2,822,729
20.509	Formula Grants for Rural Areas	2,600,035
20.526	Bus and Bus Facilities Formula Program	835,352
21.019	Coronavirus Relief Fund	11,422,967

21.023	Emergency Rental Assistance Program	60,256,168
21.026	Homeowner Assistance Fund	546,772
21.027	Coronavirus State and Local Fiscal Recovery Funds	37,260,820
32.006	COVID-19 Telehealth Program	248,776
45.025	Promotion of the Arts Partnership Agreements	388,807
45.161	Promotion of the Humanities Research	57,156
45.310	Grants to States	1,250,624
47.076	Education and Human Resources	19,119
59.037	Small Business Development Centers	502,039
64.015	Veterans State Nursing Home Care	1,641,631
84.181	Special Education-Grants for Infants and Families	1,193
84.425C	Governor's Emergency Education Relief (GEER) Fund	1,447,181
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund	80,896,585
84.425E	Higher Education Emergency Relief Fund (HEERF) Student Aid Portion	36,449,555
84.425F	HEERF Institutional Aid Portion	21,097,279
84.425M	HEERF Strengthening Institutions Program (SIP)	1,718,404
84.425R	Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) program	1,904,618
84.425U	American Rescue Plan -Elementary and Secondary School Emergency Relief (ARP ESSER)	48,506,402
84.425W	American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	236,982
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	32,827
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	168,606
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	2,051,477
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	3,665,783
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	51,052
93.052	National Family Caregiver Support, Title III, Part E	563,574
93.090	Guardianship Assistance	178,103
93.107	Area Health Education Centers	1
93.155	Rural Health Research Centers	6,300,883
93.268	Immunization Cooperative Agreements	14,376,816
93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	441,160
93.301	Small Rural Hospital Improvement Grant Program	263,615
93.310	Trans-NIH Research Support	620,901
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	41,459,051
93.336	Behavioral Risk Factor Surveillance System	60,000
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	1,422,673

93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	9,503,512
93.421	Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	39,371
93.498	Provider Relief Fund	554,217
93.558	Temporary Assistance for Needy Families	117,487
93.568	Low-Income Home Energy Assistance	23,425,034
93.569	Community Services Block Grant	921,560
93.575	Child Care and Development Block Grant	49,386,186
93.590	Community-Based Child Abuse Prevention Grants	2,410
93.599	Chafee Education and Training Vouchers Program (ETV)	405,741
93.630	Developmental Disabilities Basic Support and Advocacy Grants	512,578
93.639	ACA-Transforming Clinical Practice Initiative: Support and Alignment Networks (SANs)	1,961
93.645	Stephanie Tubbs Jones Child Welfare Services Program	108,741
93.658	Foster Care Title IV-E	440,611
93.659	Adoption Assistance	1,124,832
93.665	Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	923,965
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	149,599
93.747	Elder Abuse Prevention Interventions Program	421,395
93.767	Children's Health Insurance Program	4,975,070
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	31,634
93.778	Medical Assistance Program	135,316,979
93.859	Biomedical Research and Research Training	686,981
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	50,837
93.889	National Bioterrorism Hospital Preparedness Program	225,377
93.917	HIV Care Formula Grants	9,788
93.958	Block Grants for Community Mental Health Services	239,844
93.959	Block Grants for Prevention and Treatment of Substance Abuse	905,461
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	257,298
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	8,317,929
97.050	Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	1,518,568
Total Coronavirus Relief Program Funding		\$ 772,058,084

Families First Coronavirus Response Act

Section 6008 of the Families First Coronavirus Response Act provided a temporary 6.2 percentage point increase to each qualifying state and territory's Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act. In fiscal year 2022, the state realized in the Medical Assistance Program (ALN 93.778) an additional \$75,867,845 from the temporary FMAP increase.

Food Distribution Programs

The amount reported for Food Distribution programs (ALN 10.555, 10.565, 10.567, 10.569, and 93.053) represents the dollar value of food commodities distributed to eligible recipients during the year. The U.S. Department of Agriculture provides the current value of the commodities used by the state to compute the amount reported. The amount of funds received to administer the program is also included in the reported amount. Montana also distributes food commodities to other states in the western region of the United States. During fiscal year 2022, Montana distributed \$288,283 of food commodities under ALN 10.567 to other states.

The state of Montana distributed \$10,595,478 in commodities during fiscal year 2022. The June 30, 2022, value of commodities stored at the state's warehouse is \$6,632,268, for which the state is liable in the event of loss. The state has insurance to cover this liability.

Minority Health and Health Disparities Research

The amount reported for the Minority Health and Health Disparities Research Program (ALN 93.307) includes endowment funds of \$9,375,000, along with interest earned on the endowment. The entire endowment amount is reported as expended each year, as the funds are restricted for the life of the endowment.

Immunization Cooperative Agreements

The amount reported for the Immunization Cooperative Agreements (ALN 93.268) includes the dollar value of vaccine doses received during fiscal year 2022. The state used the Centers for Disease Control's price list to calculate the value of doses received. During fiscal year 2022, Montana received 172,003 vaccine doses valued at \$10,716,297.

Note 2. Loan and Loan Guarantee Programs

The following loan and loan guarantee programs are reported on the Schedule of Expenditures of Federal Awards at their July 1, 2021, beginning loan balance plus the value of new loans made or received, plus any interest subsidy, cash, or administrative cost allowance received during fiscal year 2022:

ALN	Federal Loan and Loan Guarantee Program State Revolving Loans	FY 2022 Ending Balances
66.458	Capitalization Grants for Clean Water State Revolving Funds	\$ 299,316,886
66.468	Capitalization Grants for Drinking Water State Revolving Funds	187,284,599
	Total State Revolving Loan Programs	<u>\$ 486,601,485</u>

ALN	Federal Loan and Loan Guarantee Program	FY 2022 Ending Balances
	Student Financial Assistance University Loans	
84.038	Federal Perkins Loan Program – Federal Capital Contributions	\$ 15,014,282
93.264	Nurse Faculty Loan Program (NFLP)	1,895
93.342	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	273,062
93.364	Nursing Student Loans	2,470,074
	Total State Revolving Loan Programs	\$ 17,759,313

Perkins Loan Programs

Under the Perkins Loan Extension Act of 2015, universities participating in this program are no longer permitted to make Perkins Loan disbursements after June 30, 2018. Institutions may choose to continue servicing their existing Perkins Loans until such time the institution's outstanding loans have been paid in full or otherwise retired. Both Montana State University and the University of Montana have chosen to continue to service their current loans.

Economic Adjustment Assistance Program

The Economic Adjustment Assistance Program (ALN 11.307) consists of two separate awards, which are reported on the Schedule of Expenditures of Federal Awards at the June 30, 2022, ending loan balances.

The amount of loans outstanding as of June 30, 2022, is \$324,245 for award number 05-19-02445 and \$3,166,213 for award number 05-79-73005. The calculation for each of these loan balances is as follows:

Award Number	05-19-02445	05-79-73005
State Award Name	EDA Revolving Loan	EDA Revolving Loan
Federal Grantor	US Department of Commerce	US Department of Commerce
Federal Program Name	Title IX SSED Revolving Loan Fund	Economic Adjustment Assistance
Ending Loan Balance	\$ 232,014	\$ 1,885,659
Ending Cash and Investments	224,669	4,410,678
Admin Paid from RLF Income	-	36,089
Unpaid Principal Written Off	-	-
	\$ 456,683	\$ 6,332,426
Federal Percentage	71%	50%
Federal Share of Loan	\$ 324,245	\$ 3,166,213

Note 3. Type A Federal Programs

The state of Montana issues a biennial single audit report. The Montana Single Audit report for the two fiscal years ended June 30, 2023, will be issued by March 31, 2024.

The Type A program threshold will be determined based on actual expenditures incurred during the two fiscal years ended June 30, 2023.

Note 4. Assistance Listing Number

The Assistance Listing Number (formerly CFDA number) is a unique number assigned to identify a federal program. It is a five-digit number, where the first two digits represent the federal awarding agency and the second three digits represent the program. Certain programs may contain an additional alpha-character at the end of the five-digit number to indicate a subcategory of the federal program. Programs with an unknown Assistance Listing Number were assigned a number in the format **.UXX or **.RD. Also refer to Note 12.

Note 5. Program Clusters

As defined by 2 CFR section 200.1, a cluster of programs is a grouping of closely related programs that share common compliance requirements. Except for the Student Financial Assistance Cluster, clusters of programs are presented on the Schedule of Expenditures of Federal Awards either within their respective federal agency (for non-research and development programs) or by federal agency and major subdivision for research and development programs.

Student Financial Assistance Cluster

Amounts reported for the Student Financial Assistance Cluster include programs administered by both the Department of Education and the Department of Health and Human Services. These clusters are shown separately, within their respective federal agencies, on the Schedule of Expenditures of Federal Awards. The combined Student Financial Assistance Cluster includes the following programs:

ALN	Student Financial Assistance Cluster	FY 2022 Expenditures
84.007	Federal Supplemental Educational Opportunity Grants	\$ 2,099,879
84.033	Federal Work-Study Program	1,581,980
84.038	Federal Perkins Loan Program – Federal Capital Contributions	19,311,066
84.063	Federal Pell Grant Program	35,745,321
84.268	Federal Direct Student Loans	144,211,833
93.264	Nurse Faculty Loan Program (NFLP)	3,331
93.342	Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	319,234
93.364	Nursing Student Loans	2,804,851

93.925	Scholarships for Health Professions Students from Disadvantaged Backgrounds – Scholarships for Disadvantaged Students (SDS)	397,835
Total Student Financial Assistance Cluster		\$ 206,475,330

Note 6. Research and Development Grants

Research and Development includes all research activities, both basic and applied, and all development activities that are performed by a non-federal entity. Research is defined as a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. The term research also includes activities involving the training of individuals in research techniques, where such activities utilize the same facilities as other research and development activities, and where such activities are not included in the instruction function.

Development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes. Federal awards that meet the research and development criteria are listed in the Research and Development Cluster.

Note 7. Federal Excess Personal Property

The state of Montana receives Federal Excess Personal Property (FEPP). The title to this property remains with the federal agency. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by the state, which is determined to be 23.34% of the original acquisition cost of the property.

Property received under ALN 81.UXX, Miscellaneous Non-major Grants, is shown at its fair market value at the time of receipt.

The following is a list of the FEPP received by the state of Montana during fiscal year 2022. The negative amount reflects property sold (title transferred at public sale) or other disposition.

ALN	Program	FY 22 Net Received (Disbursed)	FY 22 Ending Inventory
10.203	Payments to Agricultural Experiment Stations		
	Under the Hatch Act	\$ -	\$ 129,993
10.500	Cooperative Extension Service	-	3,157
10.664	Cooperative Forestry Assistance	(192,121)	4,290,898
10.UXX	Miscellaneous – Non-major Grants	(89,506)	46,919
15.UXX	Miscellaneous – Non-major Grants	-	3,553
39.003	Donation of Federal Surplus Personal Property	71,758	429,641
81.UXX	Miscellaneous – Non-major Grants	-	2,370
43.UXX	Miscellaneous – Non-major Grants	-	660,814
47.UXX	Miscellaneous – Non-major Grants	-	114,737

Note 8. Department of Defense Firefighting Property

The Department of Natural Resources and Conservation (DNRC) receives Department of Defense Firefighting Property (FFP). The title to this property is transferred to the DNRC. In accordance with General Services Administration guidelines, the amounts are presented at fair market value at the time of receipt by DNRC, which is determined to be 23.34% of the original acquisition cost of the property. The following is the value of FFP received by the state of Montana during fiscal year 2022:

ALN	Program	FY 22 Amount	FY 22 Ending Inventory
12.UXX	Miscellaneous – Non-major Grants	\$ 118,088	\$ 3,478,439

Note 9. Unemployment Benefits

The unemployment compensation system is a federal-state partnership. State unemployment insurance laws must conform to certain provisions of the federal law. Federal funds are expended for administrative costs. State unemployment taxes must be deposited into a state account in the Federal Unemployment Trust Fund and are used only to pay benefits. State Unemployment Insurance (UI) funds, as well as federal funds, are included on the Schedule of Expenditures of Federal Awards (SEFA).

The following schedule provides a breakdown of the state and federal portions of the total expenditures recorded for the Unemployment Insurance Program (ALN 17.225).

State UI Expenditures	\$ 35,741,450
Federal UI Expenditures	<u>27,908,233</u>
Total Expenditures	<u>\$ 63,649,683</u>

Note 10. Subgrants to State Agencies

Federal assistance transferred from one Montana state agency to another Montana state agency is shown only once on the Schedule of Expenditures of Federal Awards.

Federal assistance received from non-state sources, which are considered subgrants by the awarding agency, are treated as pass-through grants to the state. These pass-through awards are listed below the direct federal awards reported on the Schedule of Expenditures of Federal Awards. Pass-through grant numbers are included for those awards that were assigned an identifying number.

Note 11. Subgrants to Non-State Agencies

Federal assistance transferred from a Montana state agency or university to a non-state agency, such as a city, county, tribal government, or nonprofit organization, is identified in the Amount to Subrecipients

column shown in the Schedule of Expenditures of Federal Awards. These amounts are included in the expenditure totals shown on the report.

The Amounts to Subrecipients includes federal assistance transferred from a Montana state agency or university that was originally received as a subgrant from another Montana state agency or university. These amounts are not included in the expenditure totals shown on the report, since the original award is only shown once on the Schedule of Expenditures of Federal Awards, as described in Note 10 above.

A summary of amounts that were subgranted to a non-state agency, such as a city, county, tribal government, or nonprofit organization, which were made from awards originally received from another Montana state agency or university, is shown below:

ALN	Non-Research and Development Program	Provided to Subrecipients
21.019**	Coronavirus Relief Fund	\$ (8,306,437)
21.023**	Emergency Rental Assistance Program	315,984
21.027	Coronavirus State and Local Fiscal Recovery Funds	25,590,480
84.048	Career and Technical Education -- Basic Grants to States	3,167,879
93.262	Occupational Safety and Health Program	9,000
93.387	National and State Tobacco Control Program	56,220
93.391	Activities to Support State, Tribal, Local and Territorial (STLT) Health	
	Department Response to Public Health or Healthcare Crises	498,023
93.586	State Court Improvement Program	6,500
93.667	Social Services Block Grant	711,001
	Total Non-Research and Development	\$ 22,048,650

*** In fiscal year 2022, the state reclassified payments previously reported as subgrants to a different expenditure category (payment to individuals) for the Emergency Rental Assistance Program (ALN 21.023) and the Coronavirus Relief Fund (ALN 21.019).*

ALN	Research and Development Program	Provided to Subrecipients
20.205	Highway Planning and Construction	\$ 2,900
93.859	Biomedical Research and Research Training	18,927
	Total Non-Research and Development	\$ 21,827

Note 12. Federal Awards Not Having an Assistance Listing Number

The following schedules contain contract or grant numbers associated with awards that did not have an Assistance Listing Number and were assigned either a **.UXX or **.RD number in the Schedule of Expenditures of Federal Awards. Not all **.UXX or **.RD awards reported on the SEFA had a grant or contract number. Also refer to Note 4.

Schedule of Unknown Federal Assistance Listing Numbers

	Contract or Grant Number	Amount
DEPARTMENT OF AGRICULTURE		
10.U01	17-FI-11015200-003	\$ 21,579
10.U02	18-FI-11011600-026	12,447
10.U03	N/A	644
10.U04	17-CS-11015600-005	2,500
10.U05	22-CS-11015600-024	2,500
DEPARTMENT OF DEFENSE		
12.U01	21-129P	1,337,047
12.U02	21-179P	264,571
12.U03	22-019P	15,318
12.U04	22-155P	378
12.U05	22-162P	260
12.U06	22-171P	133,678
12.U07	W9128F20D0025	264,240
12.U08	DNRC FFP	118,089
12.U09	4014-002, PO#2022-GS-007	17,908
12.U10	4014-003, PO#2022-GS-011	3,922
DEPARTMENT OF EDUCATION		
84.U01	91990020C0060	94,813
DEPARTMENT OF ENERGY		
81.U01	21-066G	23,666
81.U02	22-074G	91,136
81.U03	0201.22.073815	2,373
81.U04	IAA NO. 87723	6,000
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.U01	HHSF223201810079C	184,980
93.U02	N/A	7,761
DEPARTMENT OF THE INTERIOR		
15.U01	140F0621C0037	39,590
15.U02	140L3621C0006	3,192
15.U03	140P1321P0027	3,163
15.U04	14L0621F0367	14,296
15.U05	1800-1444-1	50,619
LIBRARY OF CONGRESS		
42.U01	FED20-015	2,917
SMALL BUSINESS ADMINISTRATION		
59.U01	22-0208-P0001	26,149

***Schedule of Unknown Federal Assistance Listing Numbers
Research and Development***

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Contract or Grant Number		Amount
DEPARTMENT OF AGRICULTURE		
10.RD	Unknown	\$ 139,842
10.RD	21-PA-11015600-026	5,588
10.RD	MTFO040722_MS	426
DEPARTMENT OF DEFENSE		
12.RD	Unknown	3,993,160
12.RD	169061	93,971
12.RD	313-0742	79,865
12.RD	313-0873	78,906
12.RD	ARM212-MSU/ PO# EP0166321	1,399
12.RD	N/A	7,859
12.RD	SUBK-MSU-VDHWFS2-01-012720	34,779
12.RD	N62473-19-2-0005	149,568
12.RD	SC1812501	12,163
12.RD	W911KB-19-2-1500	716,724
12.RD	W911KB-19-2-1501	52,872
12.RD	W9126G-19-2-0035	25,177
12.RD	W9126G-20-2-0016	163,039
12.RD	W9128F20F0402	259,081
12.RD	W9128F21F0251	547,130
12.RD	W9128F22F0123	2,846
DEPARTMENT OF ENERGY		
81.RD	P010259575	71,271
81.RD	2151826	(19)
81.RD	2183707	71,340
81.RD	20268	20,708
81.RD	2271165	19,341
81.RD	564332	26,225
81.RD	LMS7514	4,991
81.RD	LMS7547	1,609
81.RD	PO 1877920	3,172
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
93.RD	19BCSK0080 (HHSN261201400002B)	69,226
93.RD	HHSN26120170003B, 75N91020F000	118,825
93.RD	75S20320C00001	140,855
93.RD	Unknown	1,902,674
93.RD	7273 POPS V	2,157
93.RD	75N3019C00045 Mod #4	817,026
93.RD	75N93019C00045	73,148
93.RD	75N93019C00045 COVID	240,815
93.RD	75N93019C00045 MOD#8	228,692

Schedule of Unknown Federal Assistance Listing Numbers
Research and Development

	Contract or Grant Number	Amount
93.RD	75N93019C0045	804,580
93.RD	75N93020C00039	1,657,785
93.RD	GENFD0001583403	(64,196)
93.RD	GENFD0002049784	785,739
93.RD	HHSN272201400050C	1,057,372
93.RD	HHSN27220140050C	1,144
93.RD	HHSN272201800048C	2,316,187

DEPARTMENT OF HOMELAND SECURITY

97.RD	Unknown	3,917,286
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DEPARTMENT OF JUSTICE

16.RD	0977-2021-0915	39,451
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DEPARTMENT OF THE INTERIOR

15.RD	140L619F0285	38,916
15.RD	14L0621F0079	50,753
15.RD	33172.002	57,091
15.RD	33172.005	77,595
15.RD	33172.008	975
15.RD	33172.020	2,786
15.RD	33172.025	30,958
15.RD	33172.028	2,343
15.RD	33172-015	23,864
15.RD	33172-034	8,244
15.RD	50002.006 TO 4	75,624
15.RD	50002/001	13,963
15.RD	50002/001 140L0620F0455	108,350
15.RD	BLM 50002/001 TO 6	69,997
15.RD	BLM 50002/001 TO 7	98,655
15.RD	G-63747-01	151,533
15.RD	L0212A-A	183,348
15.RD	L02226A-A	77,690
15.RD	L02312A-A	48,346
15.RD	L0233A-A	818,966
15.RD	L0246A-A	120,937
15.RD	L0248A-A	55,713
15.RD	N/A	937
15.RD	Unknown	70,939
15.RD	Unknown	841
15.RD	100130	(200)
15.RD	100180	216,704
15.RD	100182	276,068
15.RD	100208	204,328

***Schedule of Unknown Federal Assistance Listing Numbers
Research and Development***

A-265

	Contract or Grant Number	Amount
15.RD	100209	35,999
15.RD	140F0619P0068	49,567
15.RD	140L0619F0248	127,348
15.RD	140L0619F0249	25,606
15.RD	140L0619F0291	50,764
15.RD	140L0619F0292	112
15.RD	140L0619F0302	7,706
15.RD	140L0619F0342	14,884
15.RD	140L0619F0359	6,294
15.RD	140L0619F0360	20,409
15.RD	140L0619F0361	28,570
15.RD	140L0619F0378	51,451
15.RD	140L0620F0263	313,575
15.RD	140L0620F0364	21,705
15.RD	140L0620F0399	314,332
15.RD	140L0620F0500	9,486
15.RD	140L0620F0519	2,749
15.RD	140L0620F0527	256,521
15.RD	140L0621F0361	75,000
15.RD	140L0621F0398	3,137
15.RD	140L0621F0402	16,906
15.RD	140L0621F0499	11,033
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION		
43.RD	1422120	160,270

STATE OF MONTANA

STATE RESPONSES



**MONTANA
DEPARTMENT OF
ADMINISTRATION**

Director's Office

Greg Gianforte, Governor
Misty Ann Giles, Director

May 15, 2023

Angus Maciver, Legislative Auditor
Legislative Audit Division
State Capitol, Room 160
PO Box 201705
Helena MT 59620-1705

RECEIVED
May 15, 2023
LEGISLATIVE AUDIT DIV.

Re: State of Montana Financial Audit (#22-01)

Dear Mr. Maciver:

The Department of Administration (DOA) has reviewed the State of Montana Financial Audit for the fiscal year ending June 30, 2022. As noted within Chapter I, the response associated with the material weakness over pension expense entries made on behalf of all state agencies was included in the DOA financial-compliance audit.

In response to the item reported under the Compliance and Other Matters, the Public Employee's Retirement Board (PERB) and the Montana Public Employee Retirement Administration (MPERA) have taken actions to address the material violations of finance-related legal provisions, resulting from the retirement systems that are not actuarially funded, as required by the State Constitution. PERB has a policy to recommend funding increases to the Montana Legislature to address financial stability when plans do not amortize within 30 years.

The Department of Administration would like to thank the Legislative Audit Division. We appreciate your staff and the professionalism demonstrated during the audit process.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Giles", written over a horizontal line.

Misty Ann Giles, Director
Department of Administration

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

GREG GIANFORTE
GOVERNOR



CAPITOL BUILDING - P.O. BOX 200802
HELENA, MONTANA 59620-0802

May 15, 2023

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MAY 15 2023
LEGISLATIVE AUDIT DIV.

Mr. Angus Maciver, Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena, MT 59620-1705

Re: State of Montana Financial Audit (#22-01)

Dear Mr. Maciver:

The Office of Budget and Program Planning has reviewed the State of Montana Financial Audit for the fiscal year ended June 30, 2022. Our office is pleased with the unmodified opinion on our Schedule of Expenditures of Federal Awards (SEFA), in relation to the financial statements as a whole, presented in this report.

The office concurs with Recommendation #4 regarding strengthening internal controls to ensure the completeness of federal expenditures reported on the SEFA. The office has conducted internal staff training, and updated the office's SEFA to SABHRS reconciliation procedures, to help ensure all delegated federal authority is appropriately recorded on agency SEFAs.

Thank you for your work on this audit.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Osmundson".

Ryan Osmundson
Budget Director

cc: Sonia Powell, Single Audit Coordinator



Department of Public Health and Human Services

Director's Office ♦ PO Box 4210 ♦ Helena, MT 59620 ♦ (406) 444-5622 ♦ Fax: (406) 444-1970
<https://dphhs.mt.gov>

Greg Gianforte, Governor
 Charles T. Brereton, Director

May 12, 2023

Angus Maciver
 Legislative Auditor
 Room 160, State Capitol
 Helena, MT 59620-1705

RECEIVED
 May 15, 2023
 LEGISLATIVE AUDIT DIV.

RE: Statewide Audit 22-01

Dear Mr. Maciver:

The Department of Public Health and Human Services has reviewed the State of Montana Financial Audit for the fiscal year ended June 30, 2022. The department's response to the item reported under Schedule of Federal Expenditures (SEFA) Internal Controls is as follows:

Concur: DPHHS agrees with the finding that the department failed to prevent or detect and correct an error in its SEFA before submitting the document to OBPP for fiscal year 2022. The department continues to strengthen internal controls related to SEFA preparation and presentation. The following controls have been revised to prevent ongoing errors in federal reporting:

Preventative

- Modified grant management procedures and chartfield development to strengthen controls when requesting changes to the chartfield accounting structure. These updates require the inclusion of the CFDA number when creating or revising existing chartfields. The update to the internal control has been communicated to staff and new instructions provided.

Detective

- Modified SEFA control procedures to include additional crosschecks and documentation as well as notes pertaining to prior year adjustments.

The department recognizes the risk associated with incomplete or inaccurate SEFA reporting and is committed to continued improvement. We thank you for your work on this audit and appreciate the opportunity to add further comment on the audit findings.

Sincerely,

Charles T. Brereton
 Director

DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION



GREG GIANFORTE, GOVERNOR

1539 ELEVENTH AVENUE

STATE OF MONTANA

DIRECTOR'S OFFICE: (406) 444-2074
FAX: (406) 444-2684

PO BOX 201601
HELENA, MONTANA 59620-1601

May 11, 2023

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May 11, 2023

LEGISLATIVE AUDIT DIV.

Angus Maciver
Legislative Auditor
Legislative Audit Division
P O Box 201705
Helena, MT 59620-1705

**RE: Montana Department of Natural Resources & Conservation (DNRC) Written
Response to the Legislative Audit Division FY2022 Statewide Audit.**

RECOMMENDATION #1

We recommend the Department of Natural Resources and Conservation implement controls to ensure lease calculations are completed in accordance with Generally Accepted Accounting Principles.

Concur. The Department will record the lease receivables and deferred inflows according to the actual payment terms rather than on an annual basis to accurately record interest and principle of the present value calculation. This change will be implemented by fiscal year end, June 30, 2023.

Sincerely,

A handwritten signature in blue ink that reads "Amanda Kaster".

Amanda Kaster
Director



May 12, 2023

Angus Maciver, Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
PO Box 201075
Helena, MT 59620-1705

RECEIVED
May 15, 2023
LEGISLATIVE AUDIT DIV.

RE: Statewide Audit 22-01 Department of Labor & Industry Response

Dear Mr. Maciver:

The Department of Labor & Industry has received the Statewide Audit 22-01's review of Unemployment Insurance Internal Controls. The Department appreciates the Legislative Auditor's role in ensuring adequate financial controls, and thanks your staff for their diligent work. Our response to the recommendation appears below:

Recommendation #2

We recommend that the Department of Labor and Industry should enhance internal controls and maintain documentation to support amounts on the accounting record in the Unemployment Insurance Fund.

Response:

Concur. The Department recognizes the deficiencies in internal controls surrounding the COVID-19 pandemic, a once-in-a-generation event leading to an unprecedented surge in unemployment insurance claims and implementation of a host of new federal UI programs. The Department has taken a number of steps since to address these deficiencies and continues to improve its practices and internal controls.

The Department has revised its practices to ensure records regarding the calculation of the average annual wage are retained. It also concurs with the FPUC finding. While the Department maintains that estimates of fiscal year 2022 benefits were made using the best-available information at the time, the experience of the COVID-19 pandemic will inform future estimates in other periods of economic turbulence. The Department recognizes the methodology in calculating short-term accounts receivables was not adequately documented and will ensure this documentation is retained in future fiscal year end calculations.

More broadly, the Department has taken a number of steps to improve internal controls surrounding the UI program. Personnel responsible for UI internal controls during the pandemic are no longer employed by the Department. The Department has restructured division fiscal staff to report to the



Centralized Services Division to ensure proper training and accountability for complex accounting processes and entries. Additionally, the Department is currently undergoing a review of all Unemployment Insurance fiscal processes and procedures to ensure future accountability and adequate controls.

Sincerely,


Laurie Esau
Commissioner



Greg Gianforte, Governor | Brian M. Gootkin, Director

May 9, 2023

RECEIVED

May 10, 2023

LEGISLATIVE AUDIT DIV.

Angus Maciver
Legislative Audit Division
PO Box 201705
Helena, MT 59620-1705

Dear Mr. Maciver:

The Department has reviewed the Statewide Audit Report for the two fiscal years ending June 30, 2021. We would like to thank you and your staff for your review.

Our response to the recommendation is detailed below:

Recommendation # 3

We recommend the Department of Corrections strengthen internal controls related to room and board expenditures.

Response:

Concur. The Department concurs with this finding. Training has been provided to staff to ensure that appropriate documentation is attached to all transactions moving forward. HB 174, passed during the 2023 Legislative Session, sets a flat reimbursement rate for county detention centers beginning in fiscal year 2024. This change will eliminate the current variable rate structure and reduce the risk of an unsupported rate being utilized for payment.

We thank you for your professionalism and dedication in conducting our audit.

Sincerely,

Brian Gootkin
Director

5 South Last Chance Gulch
PO Box 201301
Helena, MT 59620-1301

Phone: (406) 444-3930
Fax: (406) 444-4920
www.cor.mt.gov